

Ally Financial Inc.
Form 10-Q
May 06, 2011
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2011, or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

38-0572512
*(I.R.S. Employer
Identification No.)*

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

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

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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 May 5, 2011, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

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ALLY FINANCIAL INC.

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

	Three months ended March 31,	
	2011	2010
<i>(\$ in millions except per share data)</i>		
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	\$ 1,623	\$ 1,618
Interest on loans held-for-sale	108	215
Interest on trading securities	3	1
Interest and dividends on available-for-sale investment securities	104	99
Interest-bearing cash	12	14
Operating leases	680	1,163
Total financing revenue and other interest income	2,530	3,110
Interest expense		
Interest on deposits	172	158
Interest on short-term borrowings	126	111
Interest on long-term debt	1,410	1,433
Total interest expense	1,708	1,702
Depreciation expense on operating lease assets	285	656
Net financing revenue	537	752
Other revenue		
Servicing fees	371	385
Servicing asset valuation and hedge activities, net	(87)	(133)
Total servicing income, net	284	252
Insurance premiums and service revenue earned	433	468
Gain on mortgage and automotive loans, net	92	271
Loss on extinguishment of debt	(39)	(118)
Other gain on investments, net	84	143
Other income, net of losses	216	82
Total other revenue	1,070	1,098
Total net revenue	1,607	1,850
Provision for loan losses	113	144
Noninterest expense		
Compensation and benefits expense	434	426
Insurance losses and loss adjustment expenses	186	211
Other operating expenses	772	882
Total noninterest expense	1,392	1,519
Income from continuing operations before income tax (benefit) expense	102	187
Income tax (benefit) expense from continuing operations	(68)	36
Net income from continuing operations	170	151
(Loss) income from discontinued operations, net of tax	(24)	11

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Net income	\$ 146	\$ 162
Net loss attributable to common shareholders	\$ (25)	\$ (340)
Basic and diluted earnings per common share (a)		
Net loss from continuing operations	\$ (1)	\$ (439)
(Loss) income from discontinued operations, net of tax	(18)	13
Net loss	\$ (19)	\$ (426)
Weighted-average common shares outstanding	1,330,970	799,120

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the three months ended March 31, 2011 and 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,652	\$ 1,714
Interest-bearing	11,294	9,956
Total cash and cash equivalents	12,946	11,670
Trading securities	75	240
Investment securities	15,401	14,846
Loans held-for-sale, net (\$2,946 and \$6,424 fair value-elected)	7,496	11,411
Finance receivables and loans, net		
Finance receivables and loans, net (\$971 and \$1,015 fair value-elected)	107,459	102,413
Allowance for loan losses	(1,806)	(1,873)
Total finance receivables and loans, net	105,653	100,540
Investment in operating leases, net	8,898	9,128
Mortgage servicing rights	3,774	3,738
Premiums receivable and other insurance assets	2,175	2,181
Other assets	16,763	17,564
Assets of operations held-for-sale	523	690
Total assets	\$ 173,704	\$ 172,008
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 2,064	\$ 2,131
Interest-bearing	38,632	36,917
Total deposit liabilities	40,696	39,048
Short-term borrowings	7,395	7,508
Long-term debt (\$922 and \$972 fair value-elected)	88,139	86,612
Interest payable	1,850	1,829
Unearned insurance premiums and service revenue	2,842	2,854
Reserves for insurance losses and loss adjustment expenses	828	862
Accrued expenses and other liabilities (\$14 and \$ fair value-elected)	11,001	12,126
Liabilities of operations held-for-sale	546	680
Total liabilities	153,297	151,519
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,287
Accumulated deficit	(6,435)	(6,410)
Accumulated other comprehensive income	234	259
Total equity	20,407	20,489
Total liabilities and equity	\$ 173,704	\$ 172,008

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

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

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Assets		
Loans held-for-sale, net	\$ 14	\$ 21
Finance receivables and loans, net		
Finance receivables and loans, net (\$971 and \$1,015 fair value-elected)	36,801	33,483
Allowance for loan losses	(221)	(238)
Total finance receivables and loans, net	36,580	33,245
Investment in operating leases, net	1,481	1,065
Other assets	3,352	3,194
Assets of operations held-for-sale		85
Total assets	\$ 41,427	\$ 37,610
Liabilities		
Short-term borrowings	\$ 784	\$ 964
Long-term debt (\$922 and \$972 fair value-elected)	26,362	24,466
Interest payable	18	15
Accrued expenses and other liabilities	408	352
Liabilities of operations held-for-sale		45
Total liabilities	\$ 27,572	\$ 25,842

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

Table of Contents**ALLY FINANCIAL INC.****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)****Three Months Ended March 31, 2011 and 2010**

(\$ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income
		U.S. Department of Treasury					
Balance at January 1, 2010, before cumulative effect of adjustments	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,630)	\$ 460	\$ 20,839	
Cumulative effect of a change in accounting principle, net of tax (a)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,687)	\$ 464	\$ 20,786	
Net income				162		162	\$ 162
Preferred stock dividends paid to the U.S. Department of Treasury				(386)		(386)	
Preferred stock dividends				(116)		(116)	
Dividends to shareholders				(5)		(5)	
Other comprehensive income					33	33	33
Other (b)				74		74	
Balance at March 31, 2010	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,958)	\$ 497	\$ 20,548	\$ 195
Balance at January 1, 2011	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,410)	\$ 259	\$ 20,489	
Net income				146		146	\$ 146
Preferred stock dividends paid to the U.S. Department of Treasury				(134)		(134)	
Preferred stock dividends				(69)		(69)	
Series A preferred stock amendment (c)			(32)	32			
Other comprehensive loss					(25)	(25)	(25)
Balance at March 31, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (6,435)	\$ 234	\$ 20,407	\$ 121

- (a) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.
- (b) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.
- (c) Refer to Note 16 to the Condensed Consolidated Financial Statements for further details.

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

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

Three months ended March 31, (<i>\$ in millions</i>)	2011	2010
Operating activities		
Net income	\$ 146	\$ 162
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	717	1,255
Other impairment	16	(20)
Amortization and valuation adjustments of mortgage servicing rights	(117)	196
Provision for loan losses	113	152
Gain on sale of loans, net	(94)	(298)
Net gain on investment securities	(85)	(151)
Loss on extinguishment of debt	39	118
Originations and purchases of loans held-for-sale	(12,635)	(13,715)
Proceeds from sales and repayments of loans held-for-sale	15,835	19,314
Net change in:		
Trading securities	77	53
Deferred income taxes	69	(47)
Interest payable	16	165
Other assets	(120)	1,550
Other liabilities	(321)	(477)
Other, net	(614)	(884)
Net cash provided by operating activities	3,042	7,373
Investing activities		
Purchases of available-for-sale securities	(5,529)	(4,735)
Proceeds from sales of available-for-sale securities	4,475	2,664
Proceeds from maturities of available-for-sale securities	1,103	2,873
Net (increase) in finance receivables and loans	(4,249)	(3,571)
Proceeds from sales of finance receivables and loans		1,187
Purchases of operating lease assets	(1,933)	(845)
Disposals of operating lease assets	1,882	2,278
Proceeds from sale of business units, net (a)	46	(526)
Other, net	591	606
Net cash used in investing activities	(3,614)	(69)

Statement continues on the next page.

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

Three months ended March 31, (<i>\$ in millions</i>)	2011	2010
Financing activities		
Net change in short-term debt	87	(2,629)
Net increase in bank deposits	1,670	752
Proceeds from issuance of long-term debt	13,804	12,187
Repayments of long-term debt	(13,211)	(18,761)
Dividends paid	(228)	(199)
Other, net	83	294
Net cash provided by (used in) financing activities	2,205	(8,356)
Effect of exchange-rate changes on cash and cash equivalents	(266)	378
Net increase (decrease) in cash and cash equivalents	1,367	(674)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	(91)	556
Cash and cash equivalents at beginning of year	11,670	14,788
Cash and cash equivalents at March 31,	\$ 12,946	\$ 14,670
Supplemental disclosures		
Cash paid for		
Interest	\$ 1,465	\$ 1,217
Income taxes	305	167
Noncash items		
Increase in finance receivables and loans due to a change in accounting principle (c)		17,990
Increase in long-term debt due to a change in accounting principle (c)		17,054
Transfer of mortgage servicing rights into trading securities through certification	266	
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	58	150

- (a) The amounts are net of cash and cash equivalents of \$7 million at March 31, 2011, and \$745 million at March 31, 2010, of business units at the time of disposition.
- (b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations are reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.
- (c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.
- The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

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

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

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

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy beginning in 2007. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap's consolidated tangible net worth, as defined, was \$884 million at March 31, 2011, 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 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 conforming and government-insured residential mortgage loans; and continued exploration of opportunities for funding and capital support from Ally and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap's control resulting in increased uncertainty as to their successful execution.

During 2009 and 2010, we performed a strategic review of our mortgage business. As a result of this, we effectively exited the European mortgage market through the sale of our U.K. and continental Europe operations. We also completed the sale of certain higher-risk legacy mortgage assets and settled representation and warranty claims with certain counterparties. The ongoing focus of our Mortgage Origination and Servicing operations will be predominately the origination and sale of conforming and government-insured residential mortgages and mortgage servicing. While the opportunities for further risk mitigation remain, the risk in our Mortgage Legacy Portfolio and Other operations has been materially reduced as compared to recent levels.

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ALLY FINANCIAL INC.

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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, asset sales, or other business reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap 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 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 March 31, 2011, we had \$1.9 billion in secured financing arrangements with ResCap of which \$1.3 billion in loans was utilized. At March 31, 2011, there was no net exposure under the hedging arrangement because the arrangements were fully collateralized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its financing facilities, including those with us, could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our \$884 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.

Relationship and Transactions with General Motors Company (GM)

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.

As a result of the conversion of \$5.5 billion of Ally Mandatorily Convertible Preferred (MCP) stock held by the U.S. Department of Treasury (Treasury) into common stock on December 30, 2010, and consequent dilution of the equity interests held by GM and the GM Trust, GM and the GM Trust are no longer considered related parties for purposes of applicable disclosure within the Notes to Condensed Consolidated Financial Statements, as they collectively have less than 10% of the voting interests in Ally and do not control or have the ability to significantly influence the management and policies of Ally. In addition, as a result of the conversion, the Federal Reserve has determined that GM will no longer be considered an affiliate of Ally Bank for purposes of Sections 23A and 23B of the Federal Reserve Act, which impose limitations on

transactions between banks and their affiliates.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Significant Accounting Policies

Earnings per Common Share

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

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

Recently Adopted Accounting Standards

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

During the three months ended March 31, 2011, Accounting Standards Update (ASU) 2010-20 required us to disclose a rollforward of the allowance for loan losses, additional activity-based disclosures for both financing receivables, and the allowance for each reporting period. We early adopted the rollforward requirement during the December 31, 2010, reporting period. As of January 19, 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-01, *Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*, which effectively defers the disclosure requirements in ASU 2010-20 related to troubled debt restructurings while they deliberate on other potential changes to the accounting for troubled debt restructurings. This deferral ended with the issuance of ASU 2011-02 in April 2011 as discussed in the section in this note titled Recently Issued Accounting Standards. Since the guidance relates only to disclosures, adoption did not have a material impact on our consolidated financial condition or results of operations.

Revenue Recognition Revenue Arrangements with Multiple Deliverables (ASU 2009-13)

As of January 1, 2011, we adopted ASU 2009-13, which amends Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*. The guidance significantly changed the accounting for revenue recognition in arrangements with multiple deliverables and eliminated the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. The guidance requires entities to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable's selling price. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles Goodwill and Other (ASU 2010-28)

As of January 1, 2011, we adopted ASU 2010-28, which amends ASC Topic 350, *Intangibles Goodwill and Other*, to modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test. Additionally, when determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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

In December 2010, the FASB issued ASU 2010-26, which amends ASC 944, *Financial Services Insurance*. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in

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ALLY FINANCIAL INC.
NOTES TO CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. The ASU will be effective for us on January 1, 2012. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operations.

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

In April 2011, the FASB issued ASU 2011-02, which amends ASC 310, *Receivables*. The amendments in this ASU clarify which loan modifications constitute a troubled debt restructuring. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. The ASU will be effective for us on July 1, 2011, and must be applied retrospectively to modifications made subsequent to the beginning of the annual period of adoption, which is January 1, 2011, for us.

If, as a result of applying these amendments, we identify receivables that are newly considered impaired, we are required to apply the measurement portion of the amendments to these newly identified impairments at the end of the reporting period of adoption. We will also be required to disclose the total amount of receivables and the allowance for credit losses as of the end of the period of adoption related to those receivables that are newly considered impaired for which impairment was previously measured under ASC 450-20, *Contingencies – Loss Contingencies*.

Early adoption is permitted. We have not yet determined the impact upon adoption.

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

We classified certain operations as discontinued 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.

Select Insurance Operations

During 2009, we committed to sell the U.K. consumer property and casualty insurance business, which provides vehicle and home insurance through a number of distribution channels including independent agents, affinity groups, and the internet. In April 2011, we entered into a definitive sales agreement and expect to complete the sale during the second or third quarter of 2011.

Select International Automotive Finance Operations

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

Select Financial Information

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

economic conditions.

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Selected financial information of discontinued operations is summarized below.

<i>(\$ in millions)</i>	Three months ended March 31,	
	2011	2010
Select Insurance operations		
Total net revenue	\$ 56	\$ 239
Pretax income including direct costs to transact a sale (a)	7	
Tax expense		4
Select International operations		
Total net revenue	\$ 5	\$ 41
Pretax (loss) income including direct costs to transact a sale (a)	(31)	4
Tax expense		8
Select Mortgage Legacy and Other operations		
Total net revenue	\$	\$ 28
Pretax income including direct costs to transact a sale		13
Tax expense		
Select Commercial Finance operations		
Total net revenue	\$	\$ 8
Pretax income including direct costs to transact a sale		10
Tax expense		4

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

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The assets and liabilities of operations held-for-sale are summarized below.

March 31, 2011 (<i>\$ in millions</i>)	Select Insurance operations (a)	Select International operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 4	\$ 58	\$ 62
Interest-bearing	61	19	80
Total cash and cash equivalents	65	77	142
Investment securities	384		384
Finance receivables and loans, net			
Finance receivables and loans, net		19	19
Allowance for loan losses		(1)	(1)
Total finance receivables and loans, net		18	18
Premiums receivable and other insurance assets	190		190
Other assets	142	2	144
Impairment on assets of held-for-sale operations	(221)	(134)(c)	(355)
Total assets	\$ 560	\$ (37)	\$ 523
Liabilities			
Interest-bearing deposit liabilities	\$	\$ 5	\$ 5
Unearned insurance premiums and service revenue	125		125
Reserves for insurance losses and loss adjustment expenses	382		382
Accrued expenses and other liabilities	33	1	34
Total liabilities	\$ 540	\$ 6	\$ 546
December 31, 2010			
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 5	\$ 14	\$ 19
Interest-bearing		33	33
Total cash and cash equivalents	5	47	52
Investment securities	435		435
Finance receivables and loans, net			
Finance receivables and loans, net		242	242
Allowance for loan losses		(3)	(3)

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Total finance receivables and loans, net		239	239
Premiums receivable and other insurance assets	169		169
Other assets	138	16	154
Impairment on assets of held-for-sale operations	(224)	(135) (c)	(359)
Total assets	\$ 523	\$ 167	\$ 690
Liabilities			
Interest-bearing deposit liabilities	\$	\$ 6	\$ 6
Short-term borrowings		47	47
Long-term debt		115	115
Interest payable		2	2
Unearned insurance premiums and service revenue	115		115
Reserves for insurance losses and loss adjustment expenses	362		362
Accrued expenses and other liabilities	33		33
Total liabilities	\$ 510	\$ 170	\$ 680

(a) Includes the U.K. consumer property and casualty insurance business.

(b) The balances at March 31, 2011, include the International Automotive Finance operation of Venezuela. The balances at December 31, 2010, include the International Automotive Finance operations of Ecuador and Venezuela.

(c) Includes \$94 million of unfavorable accumulated translation adjustments at both March 31, 2011, and December 31, 2010.

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3. Other Income, Net of Losses

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

<i>(\$ in millions)</i>	Three months ended March 31,	
	2011	2010
Mortgage processing fees and other mortgage income	\$ 44	\$ 54
Remarketing fees	37	31
Late charges and other administrative fees	33	37
Income from equity-method investments	22	12
Full-service leasing fees	15	28
Real estate services, net		6
Fair value adjustment on derivatives (a)	(14)	(55)
Change due to fair value option elections (b)	(17)	(73)
Other, net	96	42
Total other income, net of losses	\$ 216	\$ 82

(a) Refer to Note 19 for a description of derivative instruments and hedging activities.

(b) Refer to Note 21 for a description of fair value option elections.

4. Other Operating Expenses

Details of other operating expenses were as follows.

<i>(\$ in millions)</i>	Three months ended March 31,	
	2011	2010
Insurance commissions	\$ 125	\$ 146
Technology and communications	120	139
Professional services	68	57
Advertising and marketing	54	24
Lease and loan administration	44	31
Regulatory and licensing fees	37	31
Vehicle remarketing and repossession	36	55
State and local non-income taxes	31	24
Mortgage representation and warranty, net	26	49
Premises and equipment depreciation	26	18
Occupancy	23	26
Full-service leasing vehicle maintenance costs	11	29
Restructuring	(3)	43
Other	174	210
Total other operating expenses	\$ 772	\$ 882

5. Trading Securities

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
U.S. Treasury	\$ 77	\$ 77
Mortgage-backed residential	75	69
Asset-backed		94
 Total trading securities	 \$ 75	 \$ 240

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

(\$ in millions)	March 31, 2011				December 31, 2010			
	Cost	Gross unrealized gains	losses	Fair value	Cost	Gross unrealized gains	losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,902	\$ 8	\$ (20)	\$ 2,890	\$ 3,307	\$ 22	\$ (11)	\$ 3,318
States and political subdivisions	3			3	3		(1)	2
Foreign government	1,309	14	(6)	1,317	1,231	19	(2)	1,248
Mortgage-backed residential (a)	5,920	49	(108)	5,861	5,844	60	(79)	5,825
Asset-backed	2,262	38	(3)	2,297	1,934	15	(1)	1,948
Corporate debt	1,376	13	(10)	1,379	1,537	34	(13)	1,558
Other	489			489	152		(1)	151
Total debt securities (b)	14,261	122	(147)	14,236	14,008	150	(108)	14,050
Equity securities	1,134	69	(38)	1,165	766	60	(30)	796
Total available-for-sale securities (c)	\$ 15,395	\$ 191	\$ (185)	\$ 15,401	\$ 14,774	\$ 210	\$ (138)	\$ 14,846

- (a) Residential mortgage-backed securities include agency-backed bonds totaling \$4,208 million and \$4,503 million at March 31, 2011, and December 31, 2010, respectively.
- (b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, \$57 million and \$153 million of primarily U.K. Treasury securities were pledged as collateral at March 31, 2011, and December 31, 2010, respectively.
- (c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$15 million and \$12 million at March 31, 2011, and December 31, 2010, 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.

March 31, 2011 (\$ 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)										
U.S. Treasury and federal agencies	\$ 2,890	1.3%	\$ 97	0.6%	\$ 2,693	1.2%	\$ 100	3.7%	\$	%
States and political subdivisions	3	8.7							3	8.7
Foreign government	1,317	3.4	20	3.2	1,103	3.3	193	3.7	1	4.1
Mortgage-backed residential	5,861	3.3			3	6.3	55	4.5	5,803	3.3
Asset-backed	2,297	2.7	87	2.6	1,149	2.2	443	2.5	618	3.8

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Corporate debt	1,379	4.3	22	5.4	557	3.6	653	5.0	147	4.0
Other	489	1.4	489	1.4						
Total available-for-sale debt securities	\$ 14,236	2.9	\$ 715	1.6	\$ 5,505	2.1	\$ 1,444	3.9	\$ 6,572	3.4
Amortized cost of available-for-sale debt securities	\$ 14,261		\$ 714		\$ 5,498		\$ 1,438		\$ 6,611	

- (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.

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December 31, 2010 (<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	\$ 3,318	1.4%	\$ 124	1.2%	\$ 3,094	1.3%	\$ 100	3.7%	\$	%
States and political subdivisions	2	8.7							2	8.7
Foreign government	1,248	3.1	7	2.2	1,092	3.1	149	3.5		
Mortgage-backed residential	5,825	3.8			57	3.2	64	4.4	5,704	3.8
Asset-backed	1,948	2.5			1,146	2.2	500	2.4	302	4.0
Corporate debt	1,558	3.9	22	5.7	811	3.5	593	4.3	132	4.0
Other	151	1.5	151	1.5						
Total available-for-sale debt securities	\$ 14,050	3.0	\$ 304	1.7	\$ 6,200	2.1	\$ 1,406	3.5	\$ 6,140	3.8
Amortized cost of available-for-sale debt securities	\$ 14,008		\$ 305		\$ 6,152		\$ 1,388		\$ 6,163	

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

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

The balances of cash equivalents were \$5.4 billion and \$5.3 billion at March 31, 2011, and December 31, 2010, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities. During the three months ended March 31, 2011 and 2010, we did not recognize other-than-temporary impairment on available-for-sale securities.

(<i>\$ in millions</i>)	Three months ended March 31,	
	2011	2010
Gross realized gains	\$ 94	\$ 151
Gross realized losses	(10)	(8)
Net realized gains	\$ 84	\$ 143

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

(<i>\$ in millions</i>)	Three months ended March 31,	
	2011	2010
Taxable interest	\$ 99	\$ 90
Taxable dividends	5	3
Interest and dividends exempt from U.S. federal income tax		6

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Total interest and dividends on available-for-sale securities	\$ 104	\$ 99
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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 March 31, 2011, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of March 31, 2011, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other

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comprehensive income are not considered to be other-than-temporarily impaired at March 31, 2011. Refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

(\$ in millions)	March 31, 2011				December 31, 2010			
	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
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 1,647	\$ (20)	\$	\$	\$ 702	\$ (11)	\$	\$
States and political subdivisions	2				2	(1)		
Foreign government	729	(6)			323	(2)		
Mortgage-backed residential	3,623	(107)	11	(1)	3,159	(77)	11	(2)
Asset-backed	336	(3)	1		238	(1)	2	
Corporate debt	646	(10)	6		653	(13)	5	
Other	83				80	(1)		
Total temporarily impaired debt securities								
	7,066	(146)	18	(1)	5,157	(106)	18	(2)
Temporarily impaired equity securities								
	411	(34)	44	(4)	250	(27)	26	(3)
Total temporarily impaired available-for-sale securities								
	\$ 7,477	\$ (180)	\$ 62	\$ (5)	\$ 5,407	\$ (133)	\$ 44	\$ (5)

7. Loans Held-for-sale, Net

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

(\$ in millions)	March 31, 2011			December 31, 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer mortgage						
1st Mortgage	\$ 6,605	\$ 74	\$ 6,679	\$ 10,191	\$ 364	\$ 10,555
Home equity	811		811	856		856
Total consumer mortgage (a)						
	7,416	74	7,490	11,047	364	11,411
Commercial						
Commercial and industrial						
Other	6		6			

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Total commercial	6		6		
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Total loans held-for-sale (b)	\$ 7,422	\$ 74	\$ 7,496	\$ 11,047	\$ 364	\$ 11,411
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- (a) Fair value option-elected domestic consumer mortgages were \$2.9 billion and \$6.4 billion at March 31, 2011, and December 31, 2010, respectively. Refer to Note 21 for additional information.
- (b) Totals are net of unamortized premiums and discounts and deferred fees and costs of \$243 million and \$161 million at March 31, 2011, and December 31, 2010, respectively.

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
High original loan-to-value (greater than 100%) mortgage loans	\$ 323	\$ 331
Payment-option adjustable-rate mortgage loans	16	16
Interest-only mortgage loans	430	481
Below-market rate (teaser) mortgages	134	151
Total (a)	\$ 903	\$ 979

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

8. Finance Receivables and Loans, Net

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

<i>(\$ in millions)</i>	March 31, 2011			December 31, 2010		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 39,903	\$ 16,965	\$ 56,868	\$ 34,604	\$ 16,650	\$ 51,254
Consumer mortgage						
1st Mortgage	6,893	328	7,221	6,917	390	7,307
Home equity	3,347		3,347	3,441		3,441
Total consumer mortgage	10,240	328	10,568	10,358	390	10,748
Commercial						
Commercial and industrial						
Automobile	24,716	9,222	33,938	24,944	8,398	33,342
Mortgage	820	40	860	1,540	41	1,581
Other	1,596	295	1,891	1,795	312	2,107
Commercial real estate						
Automobile	2,090	220	2,310	2,071	216	2,287
Mortgage		53	53	1	78	79
Total commercial	29,222	9,830	39,052	30,351	9,045	39,396
Loans at fair value (a)	645	326	971	663	352	1,015
Total finance receivables and loans (b)	\$ 80,010	\$ 27,449	\$ 107,459	\$ 75,976	\$ 26,437	\$ 102,413

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

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

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

<i>(\$ in millions)</i>	Consumer	Consumer	Commercial	Total
	automobile	mortgage		
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 323	\$ 1,873
Charge-offs				
Domestic	(139)	(60)	(6)	(205)
Foreign	(42)		(31)	(73)
Total charge-offs	(181)	(60)	(37)	(278)
Recoveries				
Domestic	50	3	6	59
Foreign	19		11	30
Total recoveries	69	3	17	89
Net charge-offs	(112)	(57)	(20)	(189)
Provision for loan losses	53	40	20	113
Other	5		4	9
Allowance at March 31, 2011	\$ 916	\$ 563	\$ 327	\$ 1,806
Allowance for loan losses				
Individually evaluated for impairment	\$ 900	\$ 98	\$ 103	\$ 201
Collectively evaluated for impairment	16	465	224	1,589
Loans acquired with deteriorated credit quality	16			16
Finance receivables and loans at historical cost				
Ending balance	56,868	10,568	39,052	106,488
Individually evaluated for impairment		529	1,164	1,693
Collectively evaluated for impairment	56,724	10,039	37,888	104,651
Loans acquired with deteriorated credit quality	144			144

<i>(\$ in millions)</i>	Consumer	Consumer	Commercial	Total
	automobile	mortgage		
Allowance at January 1, 2010	\$ 1,024	\$ 640	\$ 781	\$ 2,445
Cumulative effect of change in accounting principles (a)	222			222
Charge-offs				
Domestic	(289)	(32)	(61)	(382)
Foreign	(56)	(2)	(4)	(62)

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Total charge-offs	(345)	(34)	(65)	(444)
Recoveries				
Domestic	105	4	4	113
Foreign	15			15
Total recoveries	120	4	4	128
Net charge-offs	(225)	(30)	(61)	(316)
Provision for loan losses	108	18	18	144
Discontinued operations	2	(1)		1
Other	(11)	7	(12)	(16)
Allowance at March 31, 2010	\$ 1,120	\$ 634	\$ 726	\$ 2,480
Allowance for loan losses				
Individually evaluated for impairment	\$	\$ 94	\$ 434	\$ 528
Collectively evaluated for impairment	1,090	540	292	1,922
Loans acquired with deteriorated credit quality	30			30
Finance receivables and loans at historical cost				
Ending balance	38,114	11,242	37,112	86,468
Individually evaluated for impairment		336	1,852	2,188
Collectively evaluated for impairment	37,865	10,906	35,260	84,031
Loans acquired with deteriorated credit quality	249			249

(a) Effect of change in accounting principle due to adoption of ASU 2009-17.

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Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement.

The following table presents information about our impaired finance receivables and loans.

	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
<i>(\$ in millions)</i>					
March 31, 2011					
Consumer mortgage					
1st Mortgage	\$ 446	\$ 440	\$	\$ 440	\$ 55
Home equity	88	89		89	42
Total consumer mortgage	534	529		529	97
Commercial					
Commercial and industrial					
Automobile	333	333	35	298	16
Mortgage	43	43	3	40	15
Other	122	119	21	98	39
Commercial real estate					
Automobile	150	150	78	72	31
Mortgage	49	49	13	36	2
Total commercial	697	694	150	544	103
Total consumer and commercial	\$ 1,231	\$ 1,223	\$ 150	\$ 1,073	\$ 200
December 31, 2010					
Consumer mortgage					
1st Mortgage	\$ 410	\$ 404	\$	\$ 404	\$ 59
Home equity	82	83		83	40
Total consumer mortgage	492	487		487	99
Commercial					
Commercial and industrial					
Automobile	340	356	33	323	23
Mortgage	44	40		40	14
Other	135	133	20	113	51
Commercial real estate					
Automobile	206	197	108	89	29
Mortgage	71	71	28	43	10

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Total commercial	796	797	189	608	127
Total consumer and commercial	\$ 1,288	\$ 1,284	\$ 189	\$ 1,095	\$ 226

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The following table presents average balance and interest income for our impaired finance receivables and loans.

	2011		2010	
	Average balance	Interest income	Average balance	Interest income
Three months ended March 31, (<i>\$ in millions</i>)				
Consumer mortgage				
1st Mortgage	\$ 423	\$ 4	\$ 247	\$ 2
Home equity	85	1	43	1
Total consumer mortgage	508	5	290	3
Commercial				
Commercial and industrial				
Automobile	336		414	
Mortgage	42	5		
Other	128	1	961	
Commercial real estate				
Automobile	178		284	
Mortgage	63	1	256	1
Total commercial	747	7	1,915	1
Total consumer and commercial	\$ 1,255	\$ 12	\$ 2,205	\$ 4

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At March 31, 2011, and December 31, 2010, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$11 million and \$15 million, respectively.

The following table presents an analysis of our past due finance receivables and loans.

	90 days			Total		Total
	30-59 days	60-89 days	or more	Total	Current	finance receivables
<i>(\$ in millions)</i>	past due	past due	past due	past due	and loans	
March 31, 2011						
Consumer automobile	\$ 688	\$ 129	\$ 176	\$ 993	\$ 55,875	\$ 56,868
Consumer mortgage						
1st Mortgage	110	57	185	352	6,869	7,221
Home equity	20	9	11	40	3,307	3,347
Total consumer mortgage	130	66	196	392	10,176	10,568
Commercial						
Commercial and industrial						
Automobile		3	57	60	33,878	33,938
Mortgage	3		40	43	817	860
Other			6	6	1,885	1,891
Commercial real estate						
Automobile	2		64	66	2,244	2,310
Mortgage			49	49	4	53
Total commercial	5	3	216	224	38,828	39,052
Total consumer and commercial	\$ 823	\$ 198	\$ 588	\$ 1,609	\$ 104,879	\$ 106,488
December 31, 2010						
Consumer automobile	\$ 828	\$ 175	\$ 197	\$ 1,200	\$ 50,054	\$ 51,254
Consumer mortgage						
1st Mortgage	115	67	205	387	6,920	7,307
Home equity	20	12	13	45	3,396	3,441
Total consumer mortgage	135	79	218	432	10,316	10,748
Commercial						
Commercial and industrial						
Automobile	21	19	85	125	33,217	33,342
Mortgage		36	4	40	1,541	1,581
Other			20	20	2,087	2,107
Commercial real estate						
Automobile		4	78	82	2,205	2,287
Mortgage			71	71	8	79

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Total commercial	21	59	258	338	39,058	39,396
Total consumer and commercial	\$ 984	\$ 313	\$ 673	\$ 1,970	\$ 99,428	\$ 101,398

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The following table presents the carrying amount of our finance receivables and loans on nonaccrual status.

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Consumer automobile	\$ 187	\$ 207
Consumer mortgage		
1st Mortgage	367	500
Home equity	45	61
Total consumer mortgage	412	561
Commercial		
Commercial and industrial		
Automobile	284	296
Mortgage	43	40
Other	119	134
Commercial real estate		
Automobile	150	199
Mortgage	49	71
Total commercial	645	740
Total consumer and commercial	\$ 1,244	\$ 1,508

Management performs a quarterly analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. The tables below present select credit quality indicators that are used in the determination of allowance for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans.

<i>(\$ in millions)</i>	March 31, 2011			December 31, 2010		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 56,681	\$ 187	\$ 56,868	\$ 51,047	\$ 207	\$ 51,254
Consumer mortgage						
1st Mortgage	6,854	367	7,221	6,807	500	7,307
Home equity	3,302	45	3,347	3,380	61	3,441
Total consumer mortgage	\$ 10,156	\$ 412	\$ 10,568	\$ 10,187	\$ 561	\$ 10,748

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans.

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(\$ in millions)	March 31, 2011			December 31, 2010		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 31,602	\$ 2,336	\$ 33,938	\$ 31,254	\$ 2,088	\$ 33,342
Mortgage	804	56	860	1,504	77	1,581
Other	959	932	1,891	1,041	1,066	2,107
Commercial real estate						
Automobile	2,021	289	2,310	2,013	274	2,287
Mortgage	1	52	53		79	79
Total commercial	\$ 35,387	\$ 3,665	\$ 39,052	\$ 35,812	\$ 3,584	\$ 39,396

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

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9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Vehicles and other equipment	\$ 12,355	\$ 13,571
Accumulated depreciation	(3,457)	(4,443)
Investment in operating leases, net	\$ 8,898	\$ 9,128

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 March 31,	
	2011	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 403	\$ 840
Gross remarketing gains	(118)	(184)
Depreciation expense on operating lease assets	\$ 285	\$ 656

10. Securitizations and Variable Interest Entities**Overview**

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

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

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans through private-label securitizations. We securitize consumer mortgage loans through either the GSEs or nonagency mortgages securitization. During the three months ended March 31, 2011 and 2010, our consumer mortgage loans were primarily securitized through the GSEs.

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

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the

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

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

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

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

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Our obligation to provide support is limited to the customary representation and warranty provisions. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 24 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2011 and 2010.

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Other Variable Interest Entities

Servicer Advance Funding Entity

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

Other

In 2010, we sold a portfolio of resort finance-backed receivables to a third party that financed the acquisition through an SPE. We provided seller financing for the purchase of these assets and also hold a contingent value right in the SPE, which were both recorded at fair value. We do not consolidate the SPE because we have no control over the activities of the SPE.

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

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

Involvement with Variable Interest Entities

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

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

<i>(\$ in millions)</i>	Consolidated involvement with VIEs	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
March 31, 2011			
On-balance sheet variable interest entities			
Consumer automobile	\$ 21,257	\$	\$
Consumer mortgage nonagency	1,308		
Commercial automobile	17,886		
Other	976		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	2,889 (b)	42,007	42,007 (c)
Consumer mortgage CMHC	103 (b)	4,751	103 (d)
Consumer mortgage nonagency	186 (b)	5,232	5,232 (c)
Consumer mortgage other		(e)	(e)
Commercial other	440 (f)	(g)	649
Total	\$ 45,045	\$ 51,990	\$ 47,991
December 31, 2010			
On-balance sheet variable interest entities			
Consumer automobile	\$ 20,064	\$	\$
Consumer mortgage nonagency	1,397		
Commercial automobile	15,114		
Other	1,035		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	2,909 (b)	43,595	43,595 (c)
Consumer mortgage CMHC	124 (b)	4,222	124 (d)
Consumer mortgage nonagency	183 (b)	5,371	5,371 (c)
Commercial other	483 (f)	(g)	698
Total	\$ 41,309	\$ 53,188	\$ 49,788

- (a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
- (b) Includes \$2.4 billion and \$2.5 billion classified as mortgage loans held-for-sale, \$138 million and \$162 million classified as trading securities or other assets, and \$621 million and \$569 million classified as MSRs at March 31, 2011, and December 31, 2010, respectively. CMHC is the Canada Mortgage and Housing Corporation.
- (c) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (d) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses ResMor as servicer of the loans due to servicer performance or insolvency.
- (e) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at \$266 million to the VIE. Our maximum exposure to loss in this VIE is a component of servicer advances made that are

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allocated to the trust. No servicer advances have been made to the trust at March 31, 2011, and the amount of maximum exposure does not consider advances that may be made in future periods, as they cannot be reliably predicted.

- (f) Includes \$472 million and \$515 million classified as finance receivables and loans, net, and \$20 million and \$20 million classified as other assets, offset by \$52 million and \$52 million classified as accrued expenses and other liabilities at March 31, 2010, and December 31, 2010, respectively.
- (g) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs. However, in 2010 we sold loans with an unpaid principal balance of \$1.5 billion into these VIEs.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic

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interest. The interests held include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, residuals, and servicing rights. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

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

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

Off-balance Sheet Variable Interest Entities

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

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

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our existing MSR portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

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

Three months ended March 31, (<i>\$ in millions</i>)	2011	2010
Consumer mortgage GSEs	\$(3)	\$182
Consumer mortgage nonagency	(1)	3
Total pretax (loss) gain	\$(4)	\$185

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2011 and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, (<i>\$ in millions</i>)	Consumer mortgage	Consumer mortgage
	GSEs	nonagency
2011		
Cash proceeds from transfers completed during the period	\$ 15,153	\$ 595
Cash flows received on retained interests in securitization entities		20
Servicing fees	220	43
Purchases of previously transferred financial assets	(554)	(7)
Representations and warranties obligations	(44)	
Other cash flows	70	62
2010		
Cash proceeds from transfers completed during the period	\$ 14,497	\$ 200
Cash flows received on retained interests in securitization entities		17
Servicing fees	192	51
Purchases of previously transferred financial assets	(407)	(8)
Representations and warranties obligations	(148)	(1)
Other cash flows	11	(2)

For consumer mortgage nonagency transactions, the following table summarizes the key economic assumptions and the sensitivity of the fair value of retained interests to immediate 10% and 20% adverse changes in those assumptions.

(<i>\$ in millions</i>)	March 31, 2011 (a)	December 31, 2010 (a)
Carrying value / fair value of retained interests (b)	\$138	\$162
Weighted average life (in years)	1.9 7.8	0.1 11.6
Annual prepayment rate	2.2 64.8% WAM	2.4 48.1% WAM

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Impact of 10% adverse change	\$	\$ (2)
Impact of 20% adverse change		(3)
Loss assumption (c)	0.0 46.2%	0.0 46.4%
Impact of 10% adverse change	\$	\$
Impact of 20% adverse change		
Discount rate	4.0 80.0%	0.3 80.0%
Impact of 10% adverse change	\$(3)	\$(2)
Impact of 20% adverse change	(5)	(4)
Market interest rate	0.3 3.2%	0.3 4.1%
Impact of 10% adverse change	\$	\$
Impact of 20% adverse change		(1)

- (a) There were no retained interests in consumer or commercial automobile off-balance sheet securitizations at March 31, 2011, or December 31, 2010.
 (b) These amounts are recorded in trading securities or other assets at fair value. Refer to Note 21 for fair value valuation methods.
 (c) The range of loss assumptions includes the constant prepayment rate related to balloon resets.

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These sensitivities are hypothetical and should be viewed with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses), which may magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rate and prepayment risks associated with these assets. Refer to Note 11 for further detail on sensitivities related to our mortgage servicing rights. The following table represents on-balance sheet loans held-for-sale and finance receivable and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The table presents quantitative information about delinquencies and net credit losses. Refer to Note 11 for further detail on total serviced assets.

	Total finance receivables and loans		Amount 60 days or more past due		Net credit losses Three months ended	
	March 31,	December 31,	March 31,	December 31,	March 31,	March 31,
	2011	2010	2011	2010	2011	2010
<i>(\$ in millions)</i>						
On-balance sheet loans						
Consumer automobile	\$ 56,868	\$ 51,254	\$ 305	\$ 373	\$ 112	\$ 239
Consumer mortgage (a)	19,029	23,174	3,305	3,437	94	68
Commercial automobile	36,248	35,629	124	186	3	17
Commercial mortgage	913	1,660	89	110	16	41
Commercial other	1,897	2,107	6	20	1	3
Total on-balance sheet loans	114,955	113,824	3,829	4,126	226	368
Off-balance sheet securitization entities						
Consumer mortgage GSEs (b)	256,210	253,192	11,524	13,990	n/m	n/m
Consumer mortgage nonagency	73,434	73,638	11,976	12,220	1,289	1,380
Total off-balance sheet securitization entities	329,644	326,830	23,500	26,210	1,289	1,380
Whole-loan transactions (c)	36,337	38,212	2,538	2,950	215	349
Total	\$ 480,936	\$ 478,866	\$ 29,867	\$ 33,286	\$ 1,730	\$ 2,097

n/m = not meaningful

(a) Includes loans subject to conditional repurchase options of \$2.3 billion and \$2.3 billion guaranteed by the GSEs, and \$136 million and \$146 million sold to certain nonagency mortgage securitization entities at March 31, 2011, and December 31, 2010, respectively.

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

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

Changes in Accounting for Variable Interest Entities

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For the three months ended March 31, 2011 and 2010, there were no material changes in the accounting for variable interest entities except the initial adoption of ASU 2009-17 on January 1, 2010. Refer to Note 11 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K regarding this initial adoption.

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11. Servicing Activities
Mortgage Servicing Rights

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

Three months ended March 31, (\$ in millions)	2011	2010
Estimated fair value at January 1,	\$ 3,738	\$ 3,554
Additions recognized on sale of mortgage loans	184	202
Additions from purchases of servicing rights	2	1
Subtractions from disposition of servicing assets	(266)	
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	297	49
Other changes in fair value	(181)	(244)
Decrease due to change in accounting principle		(19)
Estimated fair value at March 31,	\$ 3,774	\$ 3,543

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

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Weighted average life (in years)	7.2	7.0
Weighted average prepayment speed	9.4%	9.8%
Impact on fair value of 10% adverse change	\$ (149)	\$ (155)
Impact on fair value of 20% adverse change	(287)	(295)
Weighted average discount rate	10.7%	12.3%
Impact on fair value of 10% adverse change	\$ (57)	\$ (80)
Impact on fair value of 20% adverse change	(112)	(156)

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

Risk Mitigation Activities

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

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

Three months ended March 31, (<i>\$ in millions</i>)	2011	2010
Change in estimated fair value of mortgage servicing rights	\$ 117	\$ (196)
Change in fair value of derivative financial instruments	(204)	63
Servicing valuation and hedge activities, net	\$ (87)	\$ (133)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

Three months ended March 31, (<i>\$ in millions</i>)	2011	2010
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 270	\$ 257
Late fees	21	20
Ancillary fees	34	47
Total mortgage servicing fees	\$ 325	\$ 324

Mortgage Servicing Advances

In connection with our primary servicing activities (i.e., servicing of mortgage loans), we make certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property, thus making their collection reasonably assured. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled \$1.8 billion and \$1.9 billion at March 31, 2011, and December 31, 2010, respectively. We maintain an allowance for uncollected primary servicing advances of \$20 million and \$25 million at March 31, 2011, and December 31, 2010, respectively. Our potential obligation is influenced by the loan s performance and credit quality.

When we act as a subservicer of mortgage loans we perform the responsibilities of a primary servicer but do not own the corresponding primary servicing rights. We receive a fee from the primary servicer for such services. As the subservicer, we would have the same responsibilities of a primary servicer in that we would make certain payments of property taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At March 31, 2011, and December 31, 2010, outstanding servicer advances related to subserviced loans were \$135 million and \$140 million, respectively, and we had a reserve for uncollected subservicer advances of \$2 million and \$1 million, respectively.

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

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thus making their collection reasonably assured. In most cases, we are required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. We had outstanding master-servicing advances of \$78 million and \$90 million at March 31, 2011, and December 31, 2010, respectively. We had no reserve for uncollected master-servicing advances at March 31, 2011, or December 31, 2010.

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Serviced Mortgage Assets

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

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 18,586	\$ 20,224
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Nonagency	61,450	63,685
GSEs	258,351	255,388
Whole-loan	17,547	17,524
Purchased servicing rights	3,748	3,946
Total primary serviced mortgage loans	359,682	360,767
Subserviced mortgage loans	23,386	24,173
Master-servicing-only mortgage loans	10,044	10,548
Total serviced mortgage loans	\$ 393,112	\$ 395,488

Our Mortgage operations that conduct primary and master-servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with GSEs. At March 31, 2011, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

In certain domestic securitizations of our Mortgage operations, the surety or other provider of contractual credit support is entitled to declare a servicer default and terminate the servicer upon the failure of the loans to meet certain portfolio delinquency and/or cumulative-loss thresholds. Our Mortgage operations did not receive notice of termination from surety providers during the three months ended March 31, 2011 or 2010.

Automobile Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$46 million and \$61 million during the three months ended March 31, 2011 and 2010, respectively.

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
On-balance sheet automobile loans		

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Consumer automobile	\$	56,868	\$	51,254
Commercial automobile		36,248		35,629
Operating leases		8,898		9,128
Operations held-for-sale		19		242
Off-balance sheet automobile loans				
Loans sold to third-party investors				
Whole-loan		15,852		18,126
Other		1,095		979
Total serviced automobile loans	\$	118,980	\$	115,358

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The components of other assets were as follows.

<i>(\$ in millions)</i>	March 31, 2011	December 31, 2010
Property and equipment at cost	\$ 1,330	\$ 1,315
Accumulated depreciation	(953)	(939)
Net property and equipment	377	376
Fair value of derivative contracts in receivable position	3,380	3,966
Servicer advances	2,067	2,137
Restricted cash collections for securitization trusts (a)	1,470	1,705
Collateral placed with counterparties	1,230	1,569
Restricted cash and cash equivalents	1,200	1,323
Cash reserve deposits held for securitization trusts (b)	1,168	1,168
Other accounts receivable	867	641
Debt issuance costs	750	704
Prepaid expenses and deposits	734	638
Interests retained in financial asset sales	569	568
Goodwill	526	525
Nonmarketable equity securities	479	504
Investment in used vehicles held-for-sale	429	386
Real estate and other investments	316	280
Accrued interest and rent receivable	222	238
Reposessed and foreclosed assets	185	211
Other assets	794	625
Total other assets	\$ 16,763	\$ 17,564

- (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>	March 31, 2011	December 31, 2010
Domestic deposits		
Noninterest-bearing deposits	\$ 2,064	\$ 2,108
NOW and money market checking accounts	8,254	8,081
Certificates of deposit	25,051	23,728
Dealer deposits	1,591	1,459

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Total domestic deposit liabilities	36,960	35,376
Foreign deposits		
Noninterest-bearing deposits		23
NOW and money market checking accounts	1,092	961
Certificates of deposit	2,325	2,390
Dealer deposits	319	298
Total foreign deposit liabilities	3,736	3,672
Total deposit liabilities	\$ 40,696	\$ 39,048

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Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At March 31, 2011, and December 31, 2010, certificates of deposit included \$7.9 billion and \$7.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

14. Short-term Borrowings

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

(\$ in millions)	March 31, 2011			December 31, 2010		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Demand notes	\$ 2,345	\$	\$ 2,345	\$ 2,033	\$	\$ 2,033
Bank loans and overdrafts	2,055		2,055	1,970		1,970
Federal Home Loan Bank		1,000	1,000		1,300	1,300
Other (a)	216	1,779	1,995	224	1,981	2,205
Total short-term borrowings	\$ 4,616	\$ 2,779	\$ 7,395	\$ 4,227	\$ 3,281	\$ 7,508

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

15. Long-term Debt

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

(\$ in millions)	March 31, 2011			December 31, 2010		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 7,672	\$ 11,294	\$ 18,966	\$ 8,555	\$ 13,603	\$ 22,158
Due after one year (a)	39,745	29,189	68,934	38,499	25,508	64,007
Fair value adjustment	239		239	447		447
Total long-term debt (b)	\$ 47,656	\$ 40,483	\$ 88,139	\$ 47,501	\$ 39,111	\$ 86,612

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

(b) Includes fair value option-elected secured long-term debt of \$922 million and \$972 million at March 31, 2011, and December 31, 2010, respectively. Refer to Note 21 for additional information.

The following table presents the scheduled remaining maturity of long-term debt at March 31, 2011, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

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Year ended December 31, (\$ in millions)	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 7,093	\$ 12,818	\$ 1,892	\$ 4,222	\$ 3,719	\$ 20,513	\$ 239	\$ 50,496
Original issue discount	(646)	(350)	(264)	(190)	(56)	(1,334)		(2,840)
Total unsecured	6,447	12,468	1,628	4,032	3,663	19,179	239	47,656
Secured								
Long-term debt	9,141	9,133	9,628	5,606	3,475	3,178		40,161
Troubled debt restructuring concession (a)	76	106	82	46	12			322
Total secured	9,217	9,239	9,710	5,652	3,487	3,178		40,483
Total long-term debt	\$ 15,664	\$ 21,707	\$ 11,338	\$ 9,684	\$ 7,150	\$ 22,357	\$ 239	\$ 88,139

- (a) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain 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.

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The following table presents the scheduled remaining maturity of long-term debt held by ResCap at March 31, 2011, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (<i>\$ in millions</i>)	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
ResCap								
Unsecured debt								
Long-term debt	\$	\$ 372	\$ 530	\$ 103	\$ 113	\$	\$ 29	\$ 1,147
Original issue discount								
Total unsecured		372	530	103	113		29	1,147
Secured debt								
Long-term debt	7		742	707	707	1,818		3,981
Troubled debt restructuring concession	76	106	82	46	12			322
Total secured debt	83	106	824	753	719	1,818		4,303
ResCap Total long-term debt	\$ 83	\$ 478	\$ 1,354	\$ 856	\$ 832	\$ 1,818	\$ 29	\$ 5,450

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

<i>(\$ in millions)</i>	March 31, 2011		December 31, 2010	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading securities	\$ 32	\$	\$ 36	\$
Investment securities	2,359	2,358	2,191	2,190
Loans held-for-sale	978		1,035	
Mortgage assets held-for-investment and lending receivables	11,522	10,323	12,451	11,137
Consumer automobile finance receivables	30,352	16,515	27,164	14,927
Commercial automobile finance receivables	17,515	11,340	19,741	15,034
Investment in operating leases, net	2,423	653	3,199	
Mortgage servicing rights	2,871	1,728	2,801	1,746
Other assets	3,770	1,525	3,990	1,700
Total assets restricted as collateral (b)	\$ 71,822	\$ 44,442	\$ 72,608	\$ 46,734
Secured debt (c)	\$ 43,262	\$ 21,796	\$ 42,392	\$ 20,199

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

(b)

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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 \$11.8 billion and \$15.2 billion at March 31, 2011, and December 31, 2010, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Under the agreement with the FHLB, Ally Bank also had assets pledged as collateral under a blanket lien totaling \$8.0 billion and \$5.3 billion at March 31, 2011, and December 31, 2010, respectively. These assets were primarily composed of mortgage servicing rights; consumer mortgage 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.

(c) Includes \$2,779 million and \$3,281 million of short-term borrowings at March 31, 2011, and December 31, 2010, respectively.

Trust Preferred Securities

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

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On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2 (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

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

Funding Facilities

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

As of March 31, 2011, Ally Bank had exclusive access to \$8.8 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At March 31, 2011, \$29.3 billion of our \$32.1 billion of committed capacity was revolving. Many of our revolving facilities have a tenor of 364 days and are renewed annually, but recently, we have been able to establish \$9.4 billion of committed funding capacity with a tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
	Mar. 31,	Dec. 31,	Mar. 31,	Dec. 31,	Mar. 31,	Dec. 31,
(\$ in billions)	2011	2010	2011	2010	2011	2010
Bank funding						
Secured	\$ 5.8	\$ 6.4	\$ 3.0	\$ 1.9	\$ 8.8	\$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.8	0.8			0.8	0.8
Secured						

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Automotive Finance operations and other	8.1	8.3	8.9	9.1	17.0	17.4
Mortgage operations	1.1	1.0	0.3	0.6	1.4	1.6
Total nonbank funding	10.0	10.1	9.2	9.7	19.2	19.8
Shared capacity (b)	0.2	0.2	3.9	3.9	4.1	4.1
Total committed facilities	\$ 16.0	\$ 16.7	\$ 16.1	\$ 15.5	\$ 32.1	\$ 32.2

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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Uncommitted Funding Facilities

	Outstanding		Unused capacity		Total capacity	
	Mar. 31,	Dec. 31,	Mar. 31,	Dec. 31,	Mar. 31,	Dec. 31,
<i>(\$ in billions)</i>	2011	2010	2011	2010	2011	2010
Bank funding						
Secured						
Federal Reserve funding programs	\$	\$	\$ 5.7	\$ 4.0	\$ 5.7	\$ 4.0
FHLB advances	4.8	5.3	0.8	0.2	5.6	5.5
Total bank funding	4.8	5.3	6.5	4.2	11.3	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.6	1.4	0.5	0.6	2.1	2.0
Secured						
Automotive Finance operations		0.1	0.1		0.1	0.1
Mortgage operations			0.1	0.1	0.1	0.1
Total nonbank funding	1.6	1.5	0.7	0.7	2.3	2.2
Total uncommitted facilities	\$ 6.4	\$ 6.8	\$ 7.2	\$ 4.9	\$ 13.6	\$ 11.7

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16. Equity

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

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

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

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

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

(d) Nonredeemable prior to May 15, 2016.

(e) Nonredeemable prior to December 31, 2011.

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Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally's existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred Stock) and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Ally's bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

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

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

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

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

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

<i>(\$ in millions, except per share data)</i>	Three months ended March 31,	
	2011	2010
Net income from continuing operations	\$ 170	\$ 151
Preferred stock dividends U.S. Department of Treasury (a)	(134)	(386)
Preferred stock dividends (a)	(69)	(116)
Impact of preferred stock amendment	32	
Net loss from continuing operations attributable to common shareholders (b)	(1)	(351)
(Loss) income from discontinued operations, net of tax	(24)	11
Net loss attributable to common shareholders	\$ (25)	\$ (340)
Basic and diluted weighted-average common shares outstanding (b)	1,330,970	799,120
Basic and diluted earnings per common share (b)		
Net loss from continuing operations	\$ (1)	\$ (439)
(Loss) income from discontinued operations, net of tax	(18)	13
Net loss	\$ (19)	\$ (426)

(a) The first quarter of 2010 included two quarterly cash dividends each for the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, and Fixed Rate Cumulative Perpetual Preferred Stock, Series G, totaling \$477 million, which were deducted from income to arrive at basic and diluted earnings per common share. Traditionally, the second dividends totaling \$303 million would have been declared in the second quarter and deducted from income to arrive at basic and diluted earnings per common share for the second quarter.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the three months ended March 31, 2011 and 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months ended March 31, 2011 and 2010, as the effects would be antidilutive for those periods. As such, 574,156 and 988,200 of potential common shares were excluded from the diluted earnings per share calculation for the three months ended March 31, 2011 and 2010, respectively.

18. Regulatory Capital

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

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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 ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including senior preferred stock issued and sold to Treasury under TARP) 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.

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

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

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

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

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA) that supersedes an 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 previously 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 following table summarizes our capital ratios.

(\$ in millions)	March 31, 2011		December 31, 2010		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 22,143	14.68%	\$ 22,189	15.00%	4.00%	6.00%
Ally Bank	11,062	18.73	10,738	19.23	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 24,084	15.97%	\$ 24,213	16.36%	8.00%	10.00%
Ally Bank	11,800	19.98	11,438	20.48	8.00	10.00
Tier 1 leverage (to adjusted average assets) (a)						
Ally Financial Inc.	\$ 22,143	12.78%	\$ 22,189	13.05%	3.00 4.00%	(b)
Ally Bank	11,062	15.87	10,738	15.81	15.00 (c)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 12,662	8.40%	\$ 12,677	8.57%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

- (a) 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.
- (b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.
- (c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

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At March 31, 2011, Ally and Ally Bank were well-capitalized and met all capital requirements to which we were subject.

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord) of the Bank for International Settlements Basel Committee on Banking Supervision (Basel Committee). The

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Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is required to comply with the Basel II rules, as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period that includes four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. The U.S. implementation timetable consists of this qualification period followed by a minimum transition period of three years. During the transition period, Basel II risk-based capital requirements cannot fall below certain floors based on pre-existing capital regulations (Basel I). Ally is currently in the qualification period and expects to be in compliance with all relevant Basel II rules within the established timelines.

In addition to Basel II, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Basel III increases the minimum Tier 1 common equity ratio from 2.0% to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, MSRs and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in Tier 1 capital. In addition, under Basel III rules, after a ten-year phaseout period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 1, 2013.

19. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations.

We apply hedge accounting to certain relationships in which we utilize derivative instruments to hedge interest rate risk associated with our fixed-rate debt. 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 derivative instruments, which increase in value

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when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSR and retained interests due to the change in fair value caused by interest rate changes and their interrelated impact to prepayments.

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

Mortgage loan commitments and mortgage loans held-for-sale We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

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

Debt With the exception of a portion of our fixed-rate debt, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

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

Foreign Currency Risk

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

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

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hedges were recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For the new net investment hedges that were designated under the forward method, the hedges were recorded at fair value with the changes recorded to other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

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

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

Credit Risk

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

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk related event had been triggered at March 31, 2011, the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling \$1.2 billion and \$1.6 billion at March 31, 2011, and December 31, 2010, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$568 million and \$916 million at March 31, 2011, and December 31, 2010, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At March 31, 2011, we did not receive any noncash collateral. At December 31, 2010, we received noncash collateral of \$29 million.

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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.

<i>(\$ in millions)</i>	March 31, 2011			December 31, 2010		
	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	\$ 376	\$ 177	\$ 13,944	\$ 443	\$ 114	\$ 11,895
Foreign exchange risk						
Net investment accounting hedges	16	84	8,345	12	72	4,407
Total qualifying accounting hedges	392	261	22,289	455	186	16,302
Economic hedges						
Interest rate risk						
MSRs and retained interests	2,452	2,537	514,616	2,896	3,118	325,768
Mortgage loan commitments and mortgage loans held-for-sale	51	53	30,736	232	80	38,788
Debt	195	86	22,546	160	107	21,269
Other	56	41	43,939	80	129	32,734
Total interest rate risk	2,754	2,717	611,837	3,368	3,434	418,559
Foreign exchange risk	234	246	20,218	143	240	14,359
Total economic hedges	2,988	2,963	632,055	3,511	3,674	432,918
Total derivatives	\$ 3,380	\$ 3,224	\$ 654,344	\$ 3,966	\$ 3,860	\$ 449,220

(a) Reported as other assets on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$262 million and \$263 million at March 31, 2011, and December 31, 2010, respectively.

(b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. Includes accrued interest of \$9 million and \$23 million at March 31, 2011, and December 31, 2010, respectively.

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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.

<i>(\$ in millions)</i>	Three months ended March 31,	
	2011	2010
Qualifying accounting hedges		
(Loss) gain recognized in earnings on derivatives (a)		
Interest rate contracts		
Interest on long-term debt	\$ (148)	\$ 82
Gain (loss) recognized in earnings on hedged items (b)		
Interest rate contracts		
Interest on long-term debt	145	(62)
Total qualifying accounting hedges	(3)	20
Economic hedges		
(Loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Servicing asset valuation and hedge activities, net	(204)	63
Loss on mortgage and automotive loans, net	(39)	(144)
Other income, net of losses	7	(53)
Other operating expenses	4	(3)
Total interest rate contracts	(232)	(137)
Foreign exchange contracts (c)		
Interest on long-term debt	13	(140)
Other income, net of losses	(104)	349
Total foreign exchange contracts	(91)	209
(Loss) gain recognized in earnings on derivatives	\$ (326)	\$ 92

- (a) Amounts exclude gains of \$88 million and \$86 million for the three months ended March 31, 2011 and 2010, respectively, related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt.
- (b) Amounts exclude gains of \$63 million and \$39 million related to amortization of deferred basis adjustments on the hedged items for the three months ended March 31, 2011 and 2010, respectively.
- (c) Amounts exclude gains of \$90 million and losses of \$245 million for the three months ended March 31, 2011 and 2010, respectively, related to the revaluation of the related foreign-denominated debt or receivable.

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

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March 31, (<i>\$ in millions</i>)	2011	2010
Net investment hedges		
Foreign exchange contracts		
Loss recorded directly to other income, net of losses (a)	\$ (3)	\$ (1)
Loss recognized in other comprehensive income (b)	(148)	(44)

- (a) The amounts represent the forward points excluded from the assessment of hedge effectiveness.
- (b) The amounts represent the effective portion of net investment hedges during the three months ended March 31, 2011 and 2010. There are offsetting gains recognized in accumulated other comprehensive income of \$145 million and \$44 million for the three months ended March 31, 2011 and 2010, respectively, related to the revaluation of the related net investment in foreign operations. The amount of hedge ineffectiveness on net investment hedges during the three months ended March 31, 2011 and 2010, was insignificant.

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We recognized total income tax benefit from continuing operations of \$68 million and income tax expense from continuing operations of \$36 million during the three months ended March 31, 2011 and 2010, 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.

(\$ in millions)	Three months ended March 31, 2011		2010	
	Amount	Percent	Amount	Percent
Statutory U.S. federal tax expense and rate	\$ 36	35.0%	\$ 65	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	(94)	(92.1)	(39)	(20.9)
Foreign tax differential	(13)	(12.7)	(8)	(4.3)
Taxes on unremitted foreign earnings	6	5.9	22	11.7
State and local income taxes, net of federal income tax benefit	(3)	(2.8)	7	3.7
Tax-exempt income	(2)	(1.9)	(3)	(1.6)
Other, net	2	1.9	(8)	(4.3)
Tax (benefit) expense and effective tax rate	\$ (68)	(66.7)%	\$ 36	19.3%

For the quarter ended March 31, 2011, we recorded a \$101 million reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries. The reversal related to modifications to the legal structure of our Canadian operations. Additionally, we recorded other net increases to our consolidated valuation allowance on deferred tax assets of \$102 million, stemming primarily from increases to our deferred tax assets during the period.

21. Fair Value**Fair Value Measurements**

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

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

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

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- 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.

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Transfers Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no significant transfers between any levels during the three months ended March 31, 2011.

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.

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

Loans held-for-sale, net Our automobile loans held-for-sale are accounted for at the lower-of-cost or fair value. The automobile loans at fair value are presented in the nonrecurring fair value measurement table. We based our valuation of automobile 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 automobile loans held-for-sale as Level 3.

Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they are accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

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

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

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

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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

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required to be consolidated due to the adoption of ASU 2009-17. The elected mortgage loans represent a portion of the consumer finance receivable and loans consolidated upon adoption of ASU 2009-17. The balance that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

Securitized mortgage loans are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach 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 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 March 31, 2011, and December 31, 2010. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

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

MSRs We typically retain MSRs when we sell assets into the secondary market. MSRs 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.

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).

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

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

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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.

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

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

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We 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.

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.

Repossessed and foreclosed assets Foreclosed on or repossessed 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.

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

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

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

March 31, 2011 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed residential	\$	\$ 35	\$ 40	\$ 75
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	2,351	539		2,890
States and political subdivisions		3		3
Foreign government	947	370		1,317
Mortgage-backed residential		5,860	1	5,861
Asset-backed		2,180	117	2,297
Corporate debt securities		1,379		1,379
Other debt securities		489		489
Total debt securities	3,298	10,820	118	14,236
Equity securities (a)	1,165			1,165
Total available-for-sale securities	4,463	10,820	118	15,401
Mortgage loans held-for-sale, net (b)		2,928	18	2,946
Consumer mortgage finance receivables and loans, net (b)			971	971
Mortgage servicing rights			3,774	3,774
Other assets				
Interests retained in financial asset sales			569	569
Fair value of derivative contracts in receivable position				
Interest rate	43	2,908	179	3,130
Foreign currency		246	4	250
Total fair value of derivative contracts in receivable position	43	3,154	183	3,380
Collateral placed with counterparties (c)	433			433
Total assets	\$ 4,939	\$ 16,937	\$ 5,673	\$ 27,549
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$	\$	\$ (922)	\$ (922)
Accrued expenses and other liabilities				

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Fair value of derivative contracts in payable position				
Interest rate	(99)	(2,727)	(68)	(2,894)
Foreign currency		(328)	(2)	(330)
Total fair value of derivative contracts in payable position				
	(99)	(3,055)	(70)	(3,224)
Loan repurchase liabilities (b)			(14)	(14)
Trading liabilities		(137)		(137)
Total liabilities				
	\$ (99)	\$ (3,192)	\$ (1,006)	\$ (4,297)

- (a) Our investment in one industry did not exceed 18%.
- (b) Carried at fair value due to fair value option elections.
- (c) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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

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

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

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. 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 March 31, 2011	Net unrealized gains included in earnings still held at March 31, 2011
	Fair value at January 1, 2011	Net realized/unrealized gains (losses) included in earnings	included in other comprehensive income	Purchases	Sales	Issuances	Settlements		
<i>(\$ in millions)</i>									
Assets									
Trading securities									
Mortgage-backed residential Asset-backed	\$ 44	\$ 1 (a)	\$	\$	\$	\$	\$ (5)	\$ 40	\$ 2 (a)
	94				(94)				
Total trading securities	138	1			(94)		(5)	40	2
Investment securities									
Available-for-sale securities									
Debt securities									
Mortgage-backed residential Asset-backed	1		23	94				1	117
Total investment securities	1		23	94				118	
Mortgage loans held-for-sale, net (b)	4			14				18	
Consumer mortgage finance receivables and loans, net (b)	1,015	73 (b)	1				(118)	971	16 (b)
Mortgage servicing rights	3,738	116 (c)		2	(266) (d)	184		3,774	116 (d)
Other assets									
Interests retained in financial asset sales	568	23 (e)					(22)	569	(6)(e)
Derivative contracts, net									
Interest rate	(13)	141 (f)					(17)	111	123 (f)
Foreign currency		2 (f)						2	2 (f)
Total fair value of derivative contracts in receivable (payable) position, net	(13)	143					(17)	113	125
Total assets	\$ 5,451	\$ 356	\$ 24	\$ 110	\$ (360)	\$ 184	\$ (162)	\$ 5,603	\$ 253
Liabilities									
Long-term debt									

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On-balance sheet securitization debt (b)	\$ (972)	\$ (67)(b)	\$ 1	\$	\$	\$	\$ 116	\$ (922)	\$ 5 (b)
Accrued expenses and other liabilities									
Loan repurchases liabilities (b)				(14)				(14)	
Total liabilities	\$ (972)	\$ (67)	\$ 1	\$ (14)	\$	\$	\$ 116	\$ (936)	\$ 5

- (a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading 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) Represents excess mortgage servicing rights transferred to an agency-controlled trust in exchange for trading securities. These securities were then sold instantaneously to third-party investors for \$266 million.
- (e) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
- (f) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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	Fair value at January 1, 2010	Level 3 recurring fair value measurements			Fair value at March 31, 2010	Net unrealized gains (losses) included in earnings still held at March 31, 2010
		Net realized/unrealized gain (losses)	included in earnings	included in other comprehensive income		
<i>(\$ in millions)</i>						
Assets						
Trading securities						
Mortgage-backed residential	\$ 99	\$ 4 (a)	\$	\$ (49)	\$ 54	\$ 9 (a)
Asset-backed	596		2	(509)	89	
Total trading securities	695	4	2	(558)	143	9
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed residential	6			(3)	3	
Asset-backed	20			(7)	13	
Total investment securities	26			(10)	16	
Consumer mortgage finance receivables and loans, net (b)						
	1,303	413 (b)		856	2,572	202 (b)
Mortgage servicing rights	3,554	(196) (c)		185	3,543	(196) (c)
Other assets						
Cash reserve deposits						
held-for-securitization trusts	31			(29)	2	
Interests retained in financial asset sales	471	3 (d)		(63)	411	2 (d)
Derivative contracts, net						
Interest rate contracts in receivable (payable) position, net						
	103	(145) (e)		46	4	(57) (e)
Total assets	\$ 6,183	\$ 79	\$ 2	\$ 427	\$ 6,691	\$ (40)
Liabilities						
Long-term debt						
On-balance sheet securitization debt (b)	\$ (1,294)	\$ (413) (b)	\$	\$ (677)	\$ (2,384)	\$ 241 (b)
Total liabilities	\$ (1,294)	\$ (413)	\$	\$ (677)	\$ (2,384)	\$ (241)

(a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading 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 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 19 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)****Nonrecurring Fair Value**

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower-of-cost or fair value accounting or certain impairment measures. These items would constitute nonrecurring fair value measures.

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

March 31, 2011 (\$ in millions)	Nonrecurring fair value measures				Lower-of-cost or fair value allowance or valuation reserve	Total gains included in earnings for the three months ended
	Level 1	Level 2	Level 3	Total		
Assets						
Mortgage loans held-for-sale (a)	\$	\$	\$ 597	\$ 597	\$ (50)	n/m (b)
Commercial finance receivables and loans, net (c)						
Automotive			416	416	(46)	n/m (b)
Mortgage		13	26	39	(15)	n/m (b)
Other			93	93	(41)	n/m (b)
Total commercial finance receivables and loans, net		13	535	548	(102)	
Other assets						
Real estate and other investments (d)		1		1	n/m	\$
Repossessed and foreclosed assets, (e)		44	37	81	(11)	n/m (b)
Total assets	\$	\$ 58	\$ 1,169	\$ 1,227	\$ (163)	\$

n/m = not meaningful

- (a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific loans.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) Represents model homes impaired during 2011. The total loss included in earnings represents adjustments to the fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated value if the model home is marketed for sale.
- (e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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March 31, 2010 (\$ in millions)	Nonrecurring fair value measures			Total	Lower-of-cost or fair value or valuation reserve allowance	Total gains included in earnings for the three months ended
	Level 1	Level 2	Level 3			
Assets						
Loans held-for-sale (a)						
Automotive	\$	\$	\$ 1,155	\$ 1,155	\$ (141)	n/m (b)
Mortgage		277	720	997	(112)	n/m (b)
Total loans held-for-sale		277	1,875	2,152	(253)	
Commercial finance receivables and loans, net (c)						
Automotive			462	462	(105)	n/m (b)
Mortgage		99	47	146	(70)	n/m (b)
Other			606	606	(264)	n/m (b)
Total commercial finance receivables and loans, net		99	1,115	1,214	(439)	
Other assets						
Real estate and other investments (d)		34		34	n/m	\$ 1
Repossessed and foreclosed assets (e)		76	81	157	(44)	n/m (b)
Total assets	\$	\$ 486	\$ 3,071	\$ 3,557	\$ (736)	\$ 1

n/m = not meaningful

- (a) Represents assets held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific loans.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) Represents model homes impaired during 2010. The total loss included in earnings represents adjustments to the fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated value if the model home is marketed for sale.
- (e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Fair Value Option for Financial Assets and Financial Liabilities

A description of the financial assets and liabilities elected to be measured at fair value is as follows. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

On-balance sheet mortgage securitizations We elected to measure at fair value certain domestic consumer mortgage finance receivables and loans and the related debt held in on-balance sheet mortgage securitization structures. The fair value-elected loans are classified as finance receivable and loans, net, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was

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excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Condensed Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as long-term debt on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected debt, which continues to be classified as interest on long-term debt in the Condensed Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Condensed Consolidated Statement of Income.

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CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Conforming and government-insured mortgage loans held-for-sale We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized conforming and government-insured loans were not elected because the election will not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected conforming and government-insured loans as loans held-for-sale, net, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Condensed Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold.

Nongovernment eligible mortgage loans held-for-sale subject to conditional repurchase options As of January 1, 2011, we elected the fair value option for both nongovernment eligible mortgage loans held-for-sale subject to conditional repurchase options and the related liability. These conditional repurchase options within our private label securitizations allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally we would do so only when it is in our best interest. We record the asset and the corresponding liability on our balance sheet when the option becomes exercisable. The fair value option election must be made at initial recording. As such, the conditional repurchase option assets and liabilities recorded prior to January 1, 2011, were ineligible for the fair value election.

We carry these fair value-elected optional repurchase loan balance as loans held-for-sale, net, on the Condensed Consolidated Balance Sheet. The fair value adjustment recorded for these loans is classified as other income, net of losses, in the Condensed Consolidated Statement of Income. We carry the fair value elected corresponding liability as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. The fair value adjustment recorded for these liabilities are classified as other income, net of losses, in the Condensed Consolidated Statement of Income.

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

The following table summarizes the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

	Changes included in the Condensed Consolidated Statement of Income						
	Interest and fees on finance receivables and loans	Interest on loans held-for-sale	Interest on long-term debt	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
Three months ended March 31, (\$ in millions)							
2011							
Assets							
Mortgage loans held-for-sale, net	\$	\$ 41 (b)	\$	\$ 142	\$	\$ 183	\$ (c)
Consumer mortgage finance receivables and loans, net	54 (b)				19	73	(17) (d)
Liabilities							
Secured debt							
On-balance sheet securitization debt	\$	\$	\$ (31) (e)	\$	\$ (36)	\$ (67)	\$ 27 (f)
Total						\$ 189	
2010							
Assets							
Mortgage loans held-for-sale, net	\$	\$ 56 (b)	\$	\$ 184	\$	\$ 240	\$ (c)
Consumer mortgage finance receivables and loans, net	169 (b)				244	413	(34) (d)
Liabilities							
Secured debt							
On-balance sheet securitization debt	\$	\$	\$ (96) (e)	\$	\$ (317)	\$ (413)	\$ 37 (f)
Total						\$ 240	

- (a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (b) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.
- (c) The credit impact for agency eligible loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee. The credit impact for nonagency eligible loans was quantified by applying internal credit loss assumptions to cash flow models.
- (d) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (e) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.
- (f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make

credit adjustments to the extent any bond classes are downgraded by rating agencies.

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The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

(\$ in millions)	March 31, 2011		December 31, 2010	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 2,870	\$ 2,946	\$ 6,354	\$ 6,424
Nonaccrual loans	26	15	3	1
Loans 90+ days past due (b)	25	14		
Consumer mortgage finance receivables and loans, net				
Total loans	2,811	971	2,905	1,015
Nonaccrual loans (c)	565	246	586	260
Loans 90+ days past due (b) (c)	382	184	366	184
Liabilities				
Secured debt				
On-balance sheet securitization debt	\$ (2,886)	\$ (922)	\$ (2,969)	\$ (972)
Accrued expenses and other liabilities				
Loan repurchase liabilities	(25)	(14)		

(a) Excludes accrued interest receivable.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and loans 90+ days past due to individual loans based on the unpaid principal balances. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net*.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at March 31, 2011, and December 31, 2010.

(\$ in millions)	March 31, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Trading securities	\$ 75	\$ 75	\$ 240	\$ 240

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Investment securities	15,401	15,401	14,846	14,846
Loans held-for-sale, net	7,496	7,552	11,411	11,449
Finance receivables and loans, net	105,653	104,856	100,540	99,462
Interests retained in financial asset sales	569	569	568	568
Fair value of derivative contracts in receivable position	3,380	3,380	3,966	3,966
Collateral placed with counterparties (a)	433	433	728	728
Financial liabilities				
Deposit liabilities (b)	\$ 38,786	\$ 38,793	\$ 37,291	\$ 37,546
Short-term borrowings	7,395	7,386	7,508	7,509
Long-term debt (c)	88,725	90,688	87,181	88,996
Fair value of derivative contracts in liability position	3,224	3,224	3,860	3,860
Trading liabilities	137	137		

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

(b) The carrying value and fair value amounts exclude dealer deposits.

(c) Debt includes deferred interest for zero-coupon bonds of \$586 million and \$569 million at March 31, 2011, and December 31, 2010, respectively.

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The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

Investment securities Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous section of this note titled *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. The fair value of the held-to-maturity investment securities is based on valuation models using market-based assumption.

Loans held-for-sale, net Refer to the previous sections of this note also titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine fair value.

Finance receivables and loans, net With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach). The carrying value of wholesale receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of wholesale receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach or an in-use premise to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the previous section in this note titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

Derivative assets and liabilities Refer to the previous section of this note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.

Collateral placed with counterparties Collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this note also titled *Collateral placed with counterparties* for additional information.

Interests retained in financial asset sales Interest retained in financial asset sales are carried at fair value. Refer to the previous sections of this note titled *Interests retained in financial asset sales* for a description of the methodologies and assumptions used to determine fair value.

Debt The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.

Deposit liabilities Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

22. Segment Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

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Basis of Presentation

We report our results of operations on a line-of-business basis through five operating segments – North American Automotive Finance operations, International Automotive Finance operations, Insurance operations, Mortgage Origination and Servicing operations, and Mortgage Legacy Portfolio and Other operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered and geographic considerations, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

North American Automotive Finance operations – Provides automotive financing services to consumers and automotive dealers in the United States and Canada and includes the automotive activities of Ally Bank and ResMor Trust. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

International Automotive Finance operations – Provides automotive financing and full-service leasing to consumers and dealers outside of the United States and Canada. Our International Automotive Finance operations will focus the majority of new originations in five core international markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture.

Insurance operations – Offers consumer and commercial insurance products sold primarily through the dealer channel including vehicle extended service contracts, commercial insurance coverage in the United States and internationally (primarily covering dealers' wholesale vehicle inventory), and personal automobile insurance in certain countries outside the United States.

Mortgage Origination and Servicing operations – The principal activities include originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States and Canada; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. We also originate high-quality prime jumbo mortgage loans in the United States. We finance our mortgage loan originations primarily in Ally Bank in the United States and in our trust company, ResMor Trust, in Canada.

Mortgage Legacy Portfolio and Other operations – Primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, our mortgage reinsurance business, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; and purchasing, selling, and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally. Corporate and Other consists of our Commercial Finance Group, certain equity investments, other corporate activities, the residual impacts of our corporate funds transfer pricing (FTP) and treasury asset liability management activities (ALM), and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This

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methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other as summarized below.

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

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Financial information for our reportable operating segments is summarized as follows.

Three months ended March 31, (\$ in millions)	Global Automotive Services			Mortgage (a)			Consolidated (d)
	North		Insurance operations	Legacy			
	American	International		Portfolio			
	Automotive Finance operations	Automotive Finance operations (b)		Origination and Servicing operations	and Other operations	Corporate and Other (c)	
2011							
Net financing revenue (loss)	\$ 818	\$ 171	\$ 22	\$ (30)	\$ 78	\$ (522)	\$ 537
Other revenue	109	75	498	351	12	25	1,070
Total net revenue (loss)	927	246	520	321	90	(497)	1,607
Provision for loan losses	46	37		2	45	(17)	113
Other noninterest expense	363	169	386	246	84	144	1,392
Income (loss) from continuing operations before income tax	\$ 518	\$ 40	\$ 134	\$ 73	\$ (39)	\$ (624)	\$ 102
Total assets	\$ 87,662	\$ 16,295	\$ 9,024	\$ 19,164	\$ 11,809	\$ 29,750	\$ 173,704
2010							
Net financing revenue (loss)	\$ 872	\$ 178	\$ 30	\$ (11)	\$ 193	\$ (510)	\$ 752
Other revenue	203	92	591	346	23	(157)	1,098
Total net revenue (loss)	1,075	270	621	335	216	(667)	1,850
Provision for loan losses	101	21		1	6	15	144
Other noninterest expense	362	202	438	263	125	129	1,519
Income (loss) from continuing operations before income tax	\$ 612	\$ 47	\$ 183	\$ 71	\$ 85	\$ (811)	\$ 187
Total assets	\$ 74,786	\$ 19,378	\$ 9,083	\$ 16,491	\$ 28,045	\$ 31,644	\$ 179,427

(a) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.

(b) Amounts include intrasegment eliminations between our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations.

(c) Total assets for the Commercial Finance Group were \$1.4 billion and \$3.0 billion at March 31, 2011 and 2010, respectively.

(d) Net financing revenue (loss) after the provision for loan losses totaled \$424 million and \$608 million for the three months ended March 31, 2011 and 2010, respectively.

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Information concerning principal geographic areas was as follows.

Three months ended March 31, (<i>\$ in millions</i>)	Revenue (a)	Income (loss) from continuing operations before income tax expense (benefit) (b)	Net income (loss) (b)
2011			
Canada	\$ 187	\$ 76	\$ 176
Europe	169	63	50
Latin America	237	73	32
Asia			(1)
Total foreign	593	212	257
Total domestic (c)	1,014	(110)	(111)
Total	\$ 1,607	\$ 102	\$ 146
2010			
Canada	\$ 161	\$ 50	\$ 44
Europe	205	(44)	(34)
Latin America	207	45	35
Asia	3	7	(23)
Total foreign	576	58	22
Total domestic (c)	1,274	129	140
Total	\$ 1,850	\$ 187	\$ 162

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Statement of Income.

(b) The domestic amounts include original discount amortization of \$299 million and \$296 million for the three months ended March 31, 2011 and 2010, respectively.

(c) Amounts include eliminations between our domestic and foreign operations.

23. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Ally Financial Inc, are Ally US LLC, IB Finance Holding Company, LLC, GMAC Latin America Holdings LLC, GMAC International Holdings B.V., and GMAC Continental LLC. The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis.

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The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company only basis), (ii) the combined Guarantors, (iii) the combined nonguarantor subsidiaries (all other subsidiaries), (iv) an elimination column for adjustments to arrive at the information for the parent company, Guarantors, and nonguarantors on a consolidated basis, and (v) the parent company and our subsidiaries on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

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Condensed Consolidating Statement of Income

Three months ended March 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 252	\$ 7	\$ 1,364	\$	\$ 1,623
Interest and fees on finance receivables and loans intercompany	91	5	7	(103)	
Interest on loans held-for-sale			108		108
Interest on trading facilities			3		3
Interest and dividends on available-for-sale investment securities	3		101		104
Interest and dividends on available-for-sale investment securities intercompany			2	(2)	
Interest-bearing cash	3		9		12
Operating leases	308		372		680
Total financing revenue and other interest income	657	12	1,966	(105)	2,530
Interest expense					
Interest on deposits	15		157		172
Interest on short-term borrowings	13		113		126
Interest on long-term debt	988	2	420		1,410
Interest on intercompany debt	(4)	7	102	(105)	
Total interest expense	1,012	9	792	(105)	1,708
Depreciation expense on operating lease assets	131		154		285
Net financing (loss) revenue	(486)	3	1,020		537
Dividends from subsidiary					
Nonbank subsidiaries	501			(501)	
Other revenue					
Servicing fees	80		291		371
Servicing asset valuation and hedge activities, net			(87)		(87)
Total servicing income, net	80		204		284
Insurance premiums and service revenue earned			433		433
Gain on mortgage and automotive loans, net			92		92
Loss on extinguishment of debt	(39)				(39)
Other gain on investments, net	9		75		84
Other income, net of losses	15		349	(148)	216
Total other revenue	65		1,153	(148)	1,070
Total net revenue	80	3	2,173	(649)	1,607
Provision for loan losses	83	(1)	31		113
Noninterest expense					

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Compensation and benefits expense	198	2	234		434
Insurance losses and loss adjustment expenses			186		186
Other operating expenses	118	1	801	(148)	772
Total noninterest expense	316	3	1,221	(148)	1,392
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(319)	1	921	(501)	102
Income tax (benefit) expense from continuing operations	(133)		65		(68)
Net (loss) income from continuing operations	(186)	1	856	(501)	170
Loss from discontinued operations, net of tax	(5)		(19)		(24)
Undistributed income of subsidiaries					
Bank subsidiary	251	251		(502)	
Nonbank subsidiaries	86	197		(283)	
Net income	\$ 146	\$ 449	\$ 837	\$ (1,286)	\$ 146

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Three months ended March 31, 2010 (<i>\$ in millions</i>)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 316	\$ 8	\$ 1,294	\$	\$ 1,618
Interest and fees on finance receivables and loans intercompany	177	1	1	(179)	
Interest on loans held-for-sale	46		169		215
Interest on trading facilities			1		1
Interest and dividends on available-for-sale investment securities			101	(2)	99
Interest and dividends on available-for-sale investment securities intercompany	22		1	(23)	
Interest-bearing cash	1		13		14
Operating leases	200		963		1,163
Total financing revenue and other interest income	762	9	2,543	(204)	3,110
Interest expense					
Interest on deposits	10		148		158
Interest on short-term borrowings	9		102		111
Interest on long-term debt	908	5	520		1,433
Interest on intercompany debt	(6)	1	169	(164)	
Total interest expense	921	6	939	(164)	1,702
Depreciation expense on operating lease assets	70		586		656
Net financing (loss) revenue	(229)	3	1,018	(40)	752
Dividends from subsidiaries					
Nonbank subsidiaries	5			(5)	
Other revenue					
Servicing fees	144		241		385
Servicing asset valuation and hedge activities, net			(133)		(133)
Total servicing income, net	144		108		252
Insurance premiums and service revenue earned			468		468
(Loss) gain on mortgage and automotive loans, net	(31)		302		271
Loss on extinguishment of debt	(116)		(2)		(118)
Other gain on investments, net			144	(1)	143
Other income, net of losses	(76)		295	(137)	82
Total other revenue	(79)		1,315	(138)	1,098
Total net revenue	(303)	3	2,333	(183)	1,850
Provision for loan losses	(19)		163		144
Noninterest expense					
Compensation and benefits expense	195	3	228		426
Insurance losses and loss adjustment expenses			211		211
Other operating expenses	153	13	854	(138)	882
Total noninterest expense	348	16	1,293	(138)	1,519
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(632)	(13)	877	(45)	187

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Income tax (benefit) expense from continuing operations	(165)		201		36
Net (loss) income from continuing operations	(467)	(13)	676	(45)	151
Income (loss) from discontinued operations, net of tax	16		(5)		11
Undistributed income of subsidiaries					
Bank subsidiary	225	225		(450)	
Nonbank subsidiaries	388	51		(439)	
Net income	\$ 162	\$ 263	\$ 671	\$ (934)	\$ 162

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Condensed Consolidating Balance Sheet

March 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,288	\$	\$ 364	\$	\$ 1,652
Interest-bearing	4,652	2	6,640		11,294
Interest-bearing intercompany			394	(394)	
Total cash and cash equivalents	5,940	2	7,398	(394)	12,946
Trading securities			75		75
Investment securities			15,401		15,401
Investment securities intercompany					
Loans held-for-sale, net			7,496		7,496
Finance receivables and loans, net					
Finance receivables and loans, net	17,682	389	89,388		107,459
Intercompany loans to					
Bank subsidiary	2,250			(2,250)	
Nonbank subsidiaries	9,284	388	460	(10,132)	
Allowance for loan losses	(358)	(1)	(1,447)		(1,806)
Total finance receivables and loans, net	28,858	776	88,401	(12,382)	105,653
Investment in operating leases, net	4,973		3,925		8,898
Intercompany receivables from					
Bank subsidiary	5,812			(5,812)	
Nonbank subsidiaries		214		(214)	
Investment in subsidiaries					
Bank subsidiary	11,165	11,164		(22,329)	
Nonbank subsidiaries	16,928	3,742		(20,670)	
Mortgage servicing rights			3,774		3,774
Premiums receivable and other insurance assets	(6)		2,184	(3)	2,175
Other assets	3,119	4	14,507	(867)	16,763
Assets of operations held-for-sale	(134)		657		523
Total assets	\$ 76,655	\$ 15,902	\$ 143,818	\$ (62,671)	\$ 173,704
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$	\$	\$ 2,064	\$	\$ 2,064
Interest-bearing	1,591		37,041		38,632
Total deposit liabilities	1,591		39,105		40,696
Short-term borrowings	2,831	50	5,061	(547)	7,395
Long-term debt	44,051	260	43,828		88,139

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Intercompany debt to					
Nonbank subsidiaries	394	460	11,375	(12,229)	
Intercompany payables to					
Nonbank subsidiaries	4,881		1,110	(5,991)	
Interest payable	1,174	4	672		1,850
Unearned insurance premiums and service revenue			2,842		2,842
Reserves for insurance losses and loss adjustment expenses			828		828
Accrued expenses and other liabilities	1,326	6	10,574	(905)	11,001
Liabilities of operations held-for-sale			546		546
Total liabilities	56,248	780	115,941	(19,672)	153,297
Total equity	20,407	15,122	27,877	(42,999)	20,407
Total liabilities and equity	\$ 76,655	\$ 15,902	\$ 143,818	\$ (62,671)	\$ 173,704

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December 31, 2010 (<i>\$ in millions</i>)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,251	\$	\$ 463	\$	\$ 1,714
Interest-bearing	3,414	1	6,541		9,956
Interest-bearing intercompany			504	(504)	
Total cash and cash equivalents	4,665	1	7,508	(504)	11,670
Trading securities			240		240
Investment securities	1,488		13,358		14,846
Investment securities intercompany	2			(2)	
Loans held-for-sale, net			11,411		11,411
Finance receivables and loans, net					
Finance receivables and loans, net	10,047	425	91,941		102,413
Intercompany loans to					
Bank subsidiary	3,650			(3,650)	
Nonbank subsidiaries	9,461	367	463	(10,291)	
Allowance for loan losses	(266)	(1)	(1,606)		(1,873)
Total finance receivables and loans, net	22,892	791	90,798	(13,941)	100,540
Investment in operating leases, net	3,864		5,264		9,128
Intercompany receivables from					
Bank subsidiary	5,930			(5,930)	
Nonbank subsidiaries		213		(213)	
Investment in subsidiaries					
Bank subsidiary	10,886	10,886		(21,772)	
Nonbank subsidiaries	23,632	3,123		(26,755)	
Mortgage servicing rights			3,738		3,738
Premiums receivable and other insurance assets			2,190	(9)	2,181
Other assets	2,912	3	15,539	(890)	17,564
Assets of operations held-for-sale	(160)		850		690
Total assets	\$ 76,111	\$ 15,017	\$ 150,896	\$ (70,016)	\$ 172,008
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$	\$	\$ 2,131	\$	\$ 2,131
Interest-bearing	1,459		35,458		36,917
Total deposit liabilities	1,459		37,589		39,048
Short-term borrowings	2,519	89	4,900		7,508
Long-term debt	43,897	239	42,476		86,612
Intercompany debt to					
Nonbank subsidiaries	504	462	13,481	(14,447)	
Intercompany payables to					
Nonbank subsidiaries	4,466		1,716	(6,182)	

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Interest payable	1,229	3	597		1,829
Unearned insurance premiums and service revenue			2,854		2,854
Reserves for insurance losses and loss adjustment expenses			862		862
Accrued expenses and other liabilities	1,548	1	11,437	(860)	12,126
Liabilities of operations held-for-sale			680		680
Total liabilities	55,622	794	116,592	(21,489)	151,519
Total equity	20,489	14,223	34,304	(48,527)	20,489
Total liabilities and equity	\$ 76,111	\$ 15,017	\$ 150,896	\$ (70,016)	\$ 172,008

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Condensed Consolidating Statement of Cash Flows

Three months ended March 31, 2011

	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<i>(\$ in millions)</i>					
Operating activities					
Net cash provided by (used in) operating activities	\$ 7,381	\$ 5	\$ (3,843)	\$ (501)	\$ 3,042
Investing activities					
Purchases of available-for-sale securities			(5,529)		(5,529)
Proceeds from sales of available-for-sale securities	1,494		2,981		4,475
Proceeds from maturities of available-for-sale securities	1		1,102		1,103
Net (increase) decrease in finance receivables and loans	(7,669)	35	3,385		(4,249)
Net decrease (increase) in loans intercompany	1,578	(22)	2	(1,558)	
Net (increase) decrease in operating lease assets	(1,293)		1,242		(51)
Capital contributions to subsidiaries	(50)	(50)		100	
Proceeds from sale of business units, net			46		46
Other, net	(229)	2	818		591
Net cash (used in) provided by investing activities	(6,168)	(35)	4,047	(1,458)	(3,614)
Financing activities					
Net change in short-term debt third party	312	(39)	(186)		87
Net increase in bank deposits			1,670		1,670
Proceeds from issuance of long-term debt third party	2,088	28	11,688		13,804
Repayments of long-term debt third party	(2,131)	(7)	(11,073)		(13,211)
Net change in debt intercompany	(110)	(2)	(1,556)	1,668	
Dividends paid third party	(228)				(228)
Dividends paid and returns of contributed capital intercompany			(501)	501	
Capital contributions from parent		50	50	(100)	
Other, net	131		(48)		83
Net cash provided by financing activities	62	30	44	2,069	2,205
Effect of exchange-rate changes on cash and cash equivalents			(266)		(266)
Net increase (decrease) in cash and cash equivalents	1,275		(18)	110	1,367
Adjustment for change in cash and cash equivalents of operations held-for-sale			(91)		(91)
Cash and cash equivalents at beginning of year	4,665	2	7,507	(504)	11,670
Cash and cash equivalents at March 31	\$ 5,940	\$ 2	\$ 7,398	\$ (394)	\$ 12,946

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

Three months ended March 31, 2010

<i>(\$ in millions)</i>	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 636	\$ 30	\$ 6,714	\$ (7)	\$ 7,373
Investing activities					
Purchases of available-for-sale securities			(4,735)		(4,735)
Proceeds from sales of available-for-sale securities	24		2,664	(24)	2,664
Proceeds from maturities of available-for-sale securities			2,873		2,873
Net increase in investment securities intercompany			(332)	332	
Net (increase) decrease in finance receivables and loans	(1,763)	45	(1,853)		(3,571)
Proceeds from sales of finance receivables and loans	6		1,181		1,187
Net decrease in loans intercompany	1,955	47	33	(2,035)	
Net (increase) decrease in operating lease assets	(1,868)		3,301		1,433
Capital contributions to subsidiaries	(160)	(62)		222	
Returns of contributed capital	123			(123)	
Proceeds from sale of business units, net			(526)		(526)
Other, net	49		557		606
Net cash (used in) provided by investing activities	(1,634)	30	3,163	(1,628)	(69)
Financing activities					
Net change in short-term debt third party	110	(14)	(2,725)		(2,629)
Net increase in bank deposits			752		752
Proceeds from issuance of long-term debt third party	3,299	5	8,859	24	12,187
Repayments of long-term debt third party	(2,615)	(56)	(16,090)		(18,761)
Net change in debt intercompany	338	(35)	(2,000)	1,697	
Dividends paid third party	(199)				(199)
Dividends paid and returns of contributed capital intercompany			(130)	130	
Capital contributions from parent		50	172	(222)	
Other, net	36		258		294
Net cash provided by (used in) financing activities	969	(50)	(10,904)	1,629	(8,356)
Effect of exchange-rate changes on cash and cash equivalents			378		378
Net (decrease) increase in cash and cash equivalents	(29)	10	(649)	(6)	(674)
Adjustment for change in cash and cash equivalents of operations held-for-sale					