Ally Financial Inc.
Form 10-Q
May 06, 2011
**Table of Contents**

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended 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** | **38-0572512** |
|---|---|
| *(State or other jurisdiction of incorporation or organization)* | *(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 þ No ¨

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

Yes ¨ No ¨

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

| Large accelerated filer ¨ | Accelerated filer ¨ | Non-accelerated filer þ<br>(Do not check if a smaller reporting company) | 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 þ

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

**Table of Contents**

**ALLY FINANCIAL INC.**

## INDEX


| | | Page |
|---|---|---|
| **Part I** | **Financial Information** | |
| Item 1. | Financial Statements | 3 |
| | Condensed Consolidated Statement of Income (unaudited) for the Three Months Ended March 31, 2011 and 2010 | 3 |
| | Condensed Consolidated Balance Sheet (unaudited) at March 31, 2011, and December 31, 2010 | 4 |
| | Condensed Consolidated Statement of Changes in Equity (unaudited) for the Three Months Ended March 31, 2011 and 2010 | 6 |
| | Condensed Consolidated Statement of Cash Flows (unaudited) for the Three Months Ended March 31, 2011 and 2010 | 7 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) | 9 |
| Item 2. | Management s Discussion and Analysis of Financial Condition and Results of Operations | 78 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 127 |
| Item 4. | Controls and Procedures | 128 |
| **Part II** | **Other Information** | |
| Item 1. | Legal Proceedings | 129 |
| Item 1A. | Risk Factors | 130 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 132 |
| Item 3. | Defaults Upon Senior Securities | 132 |
| Item 4. | (Removed and Reserved) | 132 |
| Item 5. | Other Information | 132 |
| Item 6. | Exhibits | 132 |
| **Signatures** | | 133 |
| **Index of Exhibits** | | 134 |

Table of Contents

# PART I FINANCIAL INFORMATION

## Item 1. Financial Statements

ALLY FINANCIAL INC.

## CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

| *($ in millions except per share data)* | Three months ended March 31, 2011 | 2010 |
|---|---|---|
| **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 |

| | | |
|---|---|---|
| **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)

| *($ in millions)* | **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 |

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.

| *($ in millions)* | **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 U.S. Department of Treasury | Preferred stock | Accumulated deficit | Accumulated other comprehensive income | Total equity | Comprehensive income |
|---|---|---|---|---|---|---|---|
| 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, *($ in millions)* | **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, *($ in millions)* | **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 dispositon.
(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.

Table of Contents

**ALLY FINANCIAL INC.**

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is 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.

**ALLY FINANCIAL INC.**

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap s existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap s outstanding debt securities, 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.

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

**Significant Accounting Policies**

***Earnings per Common Share***

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

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

**Recently Adopted Accounting Standards**

***Receivables 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**

***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

**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.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Selected financial information of discontinued operations is summarized below.

| | Three months ended March 31, | |
|---|---|---|
| *($ in millions)* | **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.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Held-for-sale Operations**

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

| **March 31, 2011** *($ in millions)* | **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) |

| | | | |
|---|---|---|---|
| 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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 3. Other Income, Net of Losses

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

| ($ in millions) | 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.

| ($ in millions) | 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.

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

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**6. Investment Securities**

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

| | **March 31, 2011** | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | | **Gross unrealized** | | **Fair** | | Gross unrealized | | Fair |
| *($ in millions)* | **Cost** | **gains** | **losses** | **value** | Cost | gains | losses | value |
| **Available-for-sale securities** | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury and federal agencies | **$ 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.

| | **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)** | |
|---|---|---|---|---|---|---|---|---|---|---|
| **March 31, 2011** *($ in millions)* | **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** |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 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.

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

| | 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) | |
|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2010 *($ in millions)* | 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.

| | **Three months ended March 31,** | |
|---|---|---|
| *($ in millions)* | **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.

| | **Three months ended March 31,** | |
|---|---|---|
| *($ in millions)* | **2011** | 2010 |
| Taxable interest | **$ 99** | $ 90 |
| Taxable dividends | **5** | 3 |
| Interest and dividends exempt from U.S. federal income tax | | 6 |

| | | |
|---|---|---|
| Total interest and dividends on available-for-sale securities | **$ 104** | $ 99 |

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

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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.

| | **March 31, 2011** | | | | December 31, 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Less than 12 months** | | **12 months or longer** | | Less than 12 months | | 12 months or longer | |
| *($ in millions)* | **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.

| | **March 31, 2011** | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **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** | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total commercial | **6** | | **6** | | | |
| Total loans held-for-sale (b) | **$ 7,422** | **$ 74** | **$ 7,496** | $ 11,047 | $ 364 | $ 11,411 |

(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.

**ALLY FINANCIAL INC.**

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

| *($ in millions)* | **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.

| | **March 31, 2011** | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **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.

19

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

| *($ in millions)* | **Consumer automobile** | **Consumer mortgage** | **Commercial** | **Total** |
|---|---|---|---|---|
| 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 | **$** | **$ 98** | **$ 103** | **$ 201** |
| Collectively evaluated for impairment | **900** | **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** |

| *($ in millions)* | Consumer automobile | Consumer mortgage | Commercial | Total |
|---|---|---|---|---|
| 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) |

| | | | | |
|---|---|---|---|---|
| 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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

| ($ in millions) | Unpaid principal balance | Carrying value before allowance | Impaired with no allowance | Impaired with an allowance | Allowance for impaired loans |
|---|---|---|---|---|---|
| **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 |

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

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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

| | **2011** | | 2010 | |
|---|---|---|---|---|
| | **Average** | **Interest** | Average | Interest |
| Three months ended March 31, *($ in millions)* | **balance** | **income** | balance | income |
| 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 |

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

| *($ in millions)* | 30-59 days past due | 60-89 days past due | 90 days or more past due | Total past due | Current | Total finance receivables 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 |

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

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

| ($ in millions) | 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.

| | March 31, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| ($ in millions) | 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.

| | March 31, 2011 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **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.

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**9. Investment in Operating Leases, Net**

Investments in operating leases were as follows.

| *($ in millions)* | **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.

| | **Three months ended March 31,** | |
|---|---|---|
| *($ in millions)* | **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.

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

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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.

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

| *($ in millions)* | 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

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

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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, *($ in millions)* | **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, *($ in millions)* | **Consumer mortgage GSEs** | **Consumer mortgage 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.

| *($ in millions)* | **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 |

| | | |
|---|---|---|
| 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.

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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, |
| *($ in millions)* | **2011** | 2010 | **2011** | 2010 | **2011** | 2010 |
| 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**

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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**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.

| *($ in millions)* | **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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

| Three months ended March 31, *($ in millions)* | **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, *($ in millions)* | **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,

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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**Serviced Mortgage Assets**

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

| *($ in millions)* | **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.

| *($ in millions)* | **March 31, 2011** | December 31, 2010 |
|---|---|---|
| On-balance sheet automobile loans | | |

| | | | | |
|---|---|---|---|---|
| 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 |

Table of Contents

ALLY FINANCIAL INC.

## NOTES TO CONDENSED

## CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### 12. Other Assets

The components of other assets were as follows.

| *($ in millions)* | **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 |
| Repossessed 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.

| *($ in millions)* | **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 |

| | | | | |
|---|---|---|---|---|
| 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 |

35

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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.

| | **March 31, 2011** | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **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.

| | **March 31, 2011** | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|
| *($ in millions)* | **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.

| 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.

Table of Contents

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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, *($ in millions)* | 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.

| | **March 31, 2011** | | December 31, 2010 | |
|---|---|---|---|---|
| *($ in millions)* | **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)

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.

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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** | |
|---|---|---|---|---|---|---|
| *($ in billions)* | **Mar. 31, 2011** | Dec. 31, 2010 | **Mar. 31, 2011** | Dec. 31, 2010 | **Mar. 31, 2011** | Dec. 31, 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 | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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.

**Table of Contents**

**ALLY FINANCIAL INC.**

**NOTES TO CONDENSED**

**CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

***Uncommitted Funding Facilities***

| | **Outstanding** | | **Unused capacity** | | **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 | | | | | | |
| 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 |

Table of Contents

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

**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 *($ in millions)* | **$5,685** | $5,685 |
| Par value *(per share)* | **$0.01** | $0.01 |
| Liquidation preference *(per share)* | **$50** | $50 |
| Number of share authorized | **228,750,000** | 228,750,000 |
| Number of shares issued and outstanding | **118,750,000** | 118,750,000 |
| Dividend/coupon | **Fixed 9%** | |
| Redemption/call feature | **Perpetual (b)** | |
| **Preferred stock** | | |
| **Series A preferred stock (c)** | | |
| Carrying value *($ in millions)* | **$1,021** | $1,053 |
| Par value *(per share)* | **$0.01** | $0.01 |
| Liquidation preference *(per share)* | **$25** | $1,000 |
| Number of share authorized | **160,870,560** | 4,021,764 |
| Number of shares issued and outstanding | **40,870,560** | 1,021,764 |
| Dividend/coupon | | |
| Prior to May 15, 2016 | **8.5%** | |
| On and after May 15, 2016 | **LIBOR + 6.243%** | |
| Redemption/call feature | **Perpetual (d)** | |
| **Series G preferred stock** | | |
| Carrying value *($ in millions)* | **$234** | $234 |
| Par value *(per share)* | **$0.01** | $0.01 |
| Liquidation preference *(per share)* | | |