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As filed with the Securities and Exchange Commission on December 2, 2011

Registration No. 333-173198

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 5

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLY FINANCIAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**6172**	**38-0572512**
		(I.R.S. Employer Identification Number)

(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

Ally Financial Inc.

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated 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.

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount Of Registration Fee**
Common Stock, par value $0.01 per share	$100,000,000	$11,610(3)
Tangible Equity Units	$100,000,000	$11,610(3)
Stock Purchase Contracts(4)		
Junior Subordinated Amortizing Notes		

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.
(2) Includes offering price of shares and units that the underwriters have the option to purchase pursuant to their over-allotment option.
(3) Previously paid.
(4) In accordance with Rule 457(i) under the Securities Act, this registration statement also registers shares of our common stock, which is our reasonable good-faith estimate of the maximum number of shares of our common stock that are initially issuable upon settlement of the stock purchase contracts registered hereby. The number of shares of our common stock issuable upon such settlement may vary based on the market price of the common stock registered hereby. If the number of shares of our common stock needed to settle such purchase contracts is greater than such estimate due to the operation of the formula described herein that links the number of shares to the market price of our common stock at the time of such settlement, the Registrant will either file an additional registration statement or rely on an available exemption from registration, such as Section 3(a)(9) of the Securities Act. In addition, the number of shares of our common stock initially issuable upon such settlement is subject to adjustment pursuant to the anti-dilution provisions of the stock purchase contracts, as described herein. Pursuant to Rule 416 under the Securities Act, this registration statement is deemed to have registered the shares of our common stock offered or issued as a result of such anti-dilution adjustments.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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EXPLANATORY NOTE

This Registration Statement contains a prospectus relating to an offering of shares of our common stock (for purposes of this Explanatory Note, the Common Stock Prospectus), together with separate prospectus pages relating to an offering of our tangible equity units (for purposes of this Explanatory Note, the Units Prospectus). The complete Common Stock Prospectus follows immediately. Following the Common Stock Prospectus are the following alternative and additional pages for the Units Prospectus:

- front and back cover pages, which will replace the front and back cover pages of the Common Stock Prospectus;

- pages for the Prospectus Summary The Offering section, which will replace the Prospectus Summary The Offering section of the Common Stock Prospectus;

- pages for the Risk Factors Risks Related to Ownership of the Units, Separate Purchase Contracts, Separate Amortizing Notes and Common Stock section, which will replace the Risk Factors Risks Related to this Offering and Ownership of Our Common Stock section of the Common Stock Prospectus;

- pages for Ratio of Earnings to Fixed Charges and Preferred Stock Dividends section, which will be added to the Units Prospectus;

- pages for the Description of the Units , Description of the Purchase Contracts and Description of the Amortizing Notes sections, which will replace the Concurrent Transactions section of the Common Stock Prospectus;

- pages for the Book-Entry Procedures and Settlement section, which will be added to the Units Prospectus;

- pages for the Concurrent Transactions section, which will replace the Concurrent Transactions section of the Common Stock Prospectus;

- pages for the Certain U.S. Federal Income Tax Considerations section, which will replace the U.S. Federal Tax Considerations for Non-U.S. Holders section of the Common Stock Prospectus; and

- pages for the Underwriting section, which will replace the Underwriting section of the Common Stock Prospectus.

In addition, the references to common stock in Validity of Common Stock in the Common Stock Prospectus will be replaced with references to tangible equity units in the Units Prospectus.

Each of the complete Common Stock Prospectus and Units Prospectus will be filed with the Securities and Exchange Commission in accordance with Rule 424 under the Securities Act of 1933, as amended. The closing of the offering of common stock is conditioned upon the closing of the offering of Units, and the closing of the offering of Units is conditioned upon the closing of the offering of common stock.

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The information in this preliminary prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and the selling stockholder is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated December 2, 2011

PRELIMINARY PROSPECTUS

Shares

ALLY FINANCIAL INC.

COMMON STOCK

The United States Department of the Treasury (the selling stockholder or Treasury) is offering shares of common stock of Ally Financial Inc. (Ally). See Principal and Selling Stockholders. Ally Financial Inc. will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder.

This is our initial public offering and no public market exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list the common stock on the New York Stock Exchange (the NYSE) under the symbol ALLY .

The selling stockholder has granted the underwriters the right to purchase up to additional shares of common stock to cover over-allotments, if any, at the public offering price, less the underwriters discount, within 30 days from the date of this prospectus.

Concurrently with this offering, Treasury is also making a public offering of tangible equity units issued by us (the Units). Treasury has granted the underwriters of that offering the right to purchase up to additional Units to cover over-allotments, if any, at the public offering price of the Units, less the underwriters discount for the Units, within 30 days from the date of the prospectus for the concurrent Units offering. The closing of the offering of Units is conditioned upon the closing of the offering of our common stock, and the closing of the offering of our common stock is conditioned upon the closing of the offering of Units.

Investing in our common stock involves risks. See Risk Factors beginning on page 18 of this prospectus.

	Per Share	Total
Public offering price and proceeds to the selling stockholder	$	$
Underwriting discounts and commissions(1)	$	$

(1) Ally has agreed to pay all underwriting discounts and commissions, transfer taxes and transaction fees, if any, applicable to the sale of the common stock and the fees and disbursement of counsel for the selling stockholder incurred in connection with the sale.

Neither the Securities and Exchange Commission nor any state securities regulators has approved or disapproved these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about , 2011.

Citigroup **Goldman, Sachs & Co.** **J.P. Morgan** **Morgan Stanley**

Barclays Capital **Deutsche Bank Securities**

The date of this prospectus is , 2011

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In this prospectus, unless the context indicates otherwise, Ally, the company, we, us and our refer to Ally Financial Inc. and its direct and indirect subsidiaries on a consolidated basis. None of we, the underwriters, or the selling stockholder have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriters nor the selling stockholder take responsibility for, and can provide any assurance as to the reliability of, any other information that others may give you. The selling stockholder is offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

INDUSTRY AND MARKET DATA

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys and studies conducted by third parties. Industry publications, studies and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the Risk Factors section and the consolidated financial statements and the notes to those statements, before making an investment decision.

Overview

Ally operates one of the world s largest automotive finance companies. We have over 90 years of experience supporting automotive dealers and their retail customers with a broad array of financial products and services. Our automotive finance franchise operates on a global scale with strategic activities in the United States, Canada and 15 other countries worldwide. We are a bank holding company and also operate one of the largest residential mortgage loan companies in the United States. Our bank subsidiary, Ally Bank, is a leading competitor and well-recognized brand in the growing direct banking market. The bank provides us with a significant source of cost-efficient funding and had $38.9 billion of deposits at September 30, 2011. We had $182 billion of total assets at September 30, 2011 and $4.6 billion and $7.9 billion of total net revenue during the first nine months of 2011 and fiscal year 2010, respectively.

We intend to extend our leading position as one of the world s largest automotive finance companies by continuing to provide automotive dealers, retail consumers and our automotive manufacturing partners with consistent funding, competitive pricing, a comprehensive product suite and exceptional service reflecting our commitment to the automotive industry.

We also will continue to operate a complementary residential mortgage loan franchise focused on the origination and servicing of conforming and government-insured residential mortgage loans.

We intend to continue to develop Ally Bank and its core brand to enhance the value proposition for its deposit customers and to efficiently support asset growth in our lending activities.

Our primary operations are conducted within Global Automotive Services and Mortgage. Ally Bank offers a full spectrum of deposit and checking products to its customers and provides us with stable and diversified funding.

Our Global Automotive Services

Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. We serve the financial needs of approximately 21,000 dealers worldwide and 5.7 million of their retail customers as of September 30, 2011. In the United States and Canada alone, we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,200 employees that support our North American servicing operations.

Our Dealer-Focused Business Model

Ally s primary customers are automotive dealers, which are independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases to their retail customers. Dealers then select Ally or another automotive finance provider to which they sell loans and leases.

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Our longstanding success as an automotive finance provider is driven by the broad range and quality of products and services we offer to dealers. Our financial products offered to dealers and their customers include, among others, new vehicle retail loans and leases, used vehicle loans, floorplan loans, dealer capital and working capital loans, vehicle service contracts, wholesale inventory insurance and our SmartAuction service for remarketing vehicles. As of September 30, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products.

Manufacturer Relationships

We are a preferred financing provider for a number of manufacturers including GM, Chrysler, Fiat, Saab, American Suzuki and Thor under contractual relationships. With our origination and servicing platform and competitive funding programs, we function as a strong and flexible partner that helps manufacturers fulfill their new vehicle marketing programs.

Our preferred financing relationships primarily relate to new retail loan incentive programs that support the manufacturers new vehicle marketing initiatives while allowing us to realize market based returns. Incentivized loans, originated through our preferred financing relationships, represented 36% and 41% of our North American new retail loan and lease origination volume in the first nine months of 2011 and fiscal year 2010, respectively, compared to 52% in 2009 and 60% in 2008. For non-incentivized retail loan originations, we successfully compete at the dealer-level based on our strong dealer relationships, competitive pricing, full suite of products and comprehensive service.

Our History in the Automotive Market and Who We Are Today

During our 90-year history in the automotive finance business, we have developed extensive knowledge and experience in serving the financing needs of automotive dealers and their retail customers. Ally was formed in 1919 as the captive finance subsidiary of GM. In 2006, a majority ownership interest in Ally was sold to third parties. Since that sale, we have transformed into a market-driven independent automotive finance company. We continue to be a preferred financing provider to GM on incentivized retail loans and in 2009, we became the preferred financing provider to Chrysler of incentivized retail loans. We have developed full product relationships for the vast majority of Chrysler s existing franchised dealers, including more than 1,700 Chrysler dealers that we successfully developed inventory financing relationships with over a three-month period in 2009. In addition, we have developed preferred financing relationships with Fiat, Saab, American Suzuki and Thor under contractual agreements.

We became a bank holding company on December 24, 2008, under the Bank Holding Company Act and are subject to supervision and examination by the Board of Governors of the Federal Reserve System (the FRB). Our bank subsidiary, Ally Bank, is supervised by the Federal Deposit Insurance Corporation (the FDIC) and the Utah Department of Financial Institutions (the Utah DFI).

Our Global Automotive Services business is organized into three areas (the information below is as of September 30, 2011).

North American Automotive Finance Operations

Our North American Automotive Finance Operations (NAO) consist of our automotive financing operations in the United States and Canada. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2010. We funded one out of every ten new car purchases that were financed in the United States during 2010. We had total consumer originations in the United States and Canada of $35.4 billion in 2010 and $33.7 billion in the first nine months of 2011. Our penetration rate of GM and Chrysler new car purchases in the United States and Canada in the first nine months of 2011 was 40% and 30%, respectively. We financed an average of $28.6 billion of vehicle floorplan assets for our dealers, including 80% of GM s and 66% of Chrysler s total North American dealer new vehicle inventory, respectively, during the first nine months of 2011.

We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $75 billion portfolio at September 30, 2011. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions.

The following table sets forth our share of retail automotive loans for new purchases in the United States:

3rd Quarter 2011		2nd Quarter 2011		1st Quarter 2011		4th Quarter 2010		3rd Quarter 2010		2nd Quarter 2010		1st Quarter 2010		Year ended December 31, 2010		2009		2008	
%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
9.2%	1	9.3%	1	13.5%	1	11.0%	1	10.0%	1	9.9%	1	8.5%	2	9.9%	1	6.1%	3	5.8%	4

Source: Experian Automotive

The used vehicle financing market is significant in size and highly fragmented. We have recently begun to increase our focus on used car financing, primarily through franchised dealers and certain national used vehicle dealers. According to Experian Automotive, over 14 million used vehicles were sold by franchised dealers in 2010. We believe that increased market share in this fragmented segment will further expand and support our dealer relationships and increase our volume of retail originations.

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International Automotive Finance Operations

Our International Automotive Finance Operations (IO) conduct business in Asia, Latin America and Europe. We focus on five core foreign markets: China (through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC)), Brazil, Mexico, Germany and the United Kingdom. We also originate loans in 10 other countries. We provide financial services to approximately 5,200 automotive dealer customers in these 15 foreign markets.

China Our GMAC-SAIC joint venture is a leading automotive finance company in China and offers a full suite of products. We believe there is significant opportunity for growth in loan origination in China due to the strong increase in overall car sales as well as the relatively low proportion of these sales that have been financed historically. In 2010, 10% of new car purchases in China were financed according to China Auto Market, compared with 79% in the United States, according to Experian Automotive. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation Limited, which own 40% and 20% of GMAC-SAIC, respectively. At September 30, 2011, the joint venture had total finance receivables and loans of $5.2 billion.

Brazil and Mexico Brazil is the largest automotive market in Latin America where we had total finance receivables and loans of $3.4 billion at September 30, 2011. In both Brazil and Mexico, we offer a full product line and have strong positions in the automotive dealer channel.

Germany and the United Kingdom Germany and the United Kingdom remain our core markets in Europe with total finance receivables and loans of $5.7 billion at September 30, 2011. To improve operational efficiency, certain of our servicing and lending activities in Europe have been consolidated in Germany.

Insurance Operations

Our Insurance operations offer both consumer insurance products sold primarily through dealers and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle service contracts, mechanical breakdown and maintenance coverages. We also underwrite selected commercial insurance coverages which primarily insure dealers wholesale vehicle inventory in the United States and internationally.

We believe our national insurance platform provides us with a competitive advantage, allowing us to design products tailored to our dealer customers, control underwriting and retain the profits generated by this business. We sell insurance products to over 4,000 dealers in the United States. Among U.S. GM dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 80%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

Mortgage

Our Origination and Servicing operations consist of originating, purchasing, selling and securitizing conforming and government-insured residential mortgage loans in the United States and Canada; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage loan originators, also called warehouse lending. We also originate a small amount of high quality prime jumbo mortgage loans in the United States. Our Origination and Servicing operations had $24.7 billion in assets at September 30, 2011.

In the first nine months of 2011 and full year 2010, we originated $39.8 billion and $69.5 billion, respectively, of U.S. residential mortgage loans, including $33.0 billion and $61.5 billion, respectively, through our network of over 1,000 correspondents. On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel. See Note 25 to the Condensed Consolidated Financial Statements

for additional information. Conforming and government-insured residential mortgage loans comprised approximately 97% and 98% of our first nine months of 2011 and fiscal year 2010 originations, respectively. At September 30, 2011, we were the primary servicer of 2.3 million mortgage loans with $360.5 billion of unpaid principal balances. We have substantially derisked our mortgage operations since the onset of the housing crisis and reduced our overall mortgage assets from $135.1 billion in 2006 to $35.5 billion at September 30, 2011, primarily through the run-off and divestiture of noncore businesses and assets.

Our Legacy Portfolio and Other operations primarily consist of mortgage loans originated prior to January 1, 2009, and consist of noncore business activities including portfolios in run-off. Total assets of our Legacy Portfolio and Other operations decreased from $32.9 billion at December 31, 2008, to $10.8 billion at September 30, 2011.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. We believe that Ally Bank is well-positioned to continue to take advantage of the consumer-driven shift from branch banking to direct banking. We believe internet banking is now the preferred banking channel by consumers. According to a 2010 American Bankers Association survey, the number of bank customers who prefer to do their banking online increased from 21% to 36% between 2007 and 2010, while those who prefer branch banking has declined from 39% to 25% over the same period.

We have quickly become a leader in direct banking with our recognizable brand, accessible 24/7 customer service, and competitively priced deposit products. We have distinguished our direct bank with our Talk Straight, Do Right, Be Obviously Better branding and products that are Easy to Use with No Fine Print, Hidden Fees, Rules or Penalties . Recent introductions of retail banking products include interest-bearing checking accounts, electronic bill pay, remote deposit, and no-fee debit cards.

Ally Bank provides our automotive finance and mortgage loan operations with a stable and low-cost funding source. At September 30, 2011, Ally Bank had $38.9 billion of deposits including $26.3 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $26.3 billion at September 30, 2011 has enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds over time and diversify our overall funding as our deposit base grows. Over the past two years, we have grown our retail deposits even as we have reduced the cost of our deposits.

The following chart shows the amount and type of Ally Bank s customer deposits and the average retail deposit rate as of the dates indicated:

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Our Strengths

Automotive financial services category leader with full product suite.

We are one of the largest providers of retail and wholesale automotive financing in the world and are an integral part of the automotive industry. We believe that our 90-year history has provided us extensive knowledge of the automotive industry and the financial services needs of its dealers, automotive manufacturers, and retail consumers.

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of September 30, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During the first nine months of 2011 and fiscal year 2010, 68% and 60%, respectively, of our U.S. dealer customers received benefits under the Ally Dealer Rewards program which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, we have successfully added preferred provider agreements, including Chrysler (U.S., Canada and Mexico), Fiat (U.S. and Mexico), Saab (U.S. and Europe), American Suzuki (U.S.) and Thor (U.S.). Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our North American new non-GM retail originations from $1.0 billion in 2006 to $9.5 billion in 2010 and from $7.3 billion in the first nine months of 2010 to $8.8 billion in the first nine months of 2011.

We believe that the combination of our full suite of products, service standards, global platform, incentive programs, and funding strategy put us in a strong position relative to competing financial institutions and future entrants to the market.

Scalable platform with significant growth opportunities.

We are well-positioned for growth as the U.S. economy recovers and U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales rebounds from its 2008-2009 recessionary levels. Consumer and business spending on automobiles has recovered from recent lows but remains well below historical average levels. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

Source: Bureau of Economic Analysis, U.S. Department of Commerce

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The chart below shows historical and projected U.S. SAAR (in millions):

Source: Bureau of Economic Analysis as to 2006-2010 data and Blue Chip Economic Indicators, Vol. 36, No. 10, as to projected 2011-2013 data.

In the United States and Canada, we have approximately 2,100 automotive finance and insurance employees dedicated to dealer sales, product support, lending and underwriting. This infrastructure allows us to accommodate our growing volume of business and support our existing customers. We maintain a dedicated sales force, which meets the needs of our existing dealer customers, expands our market penetration in the dealer network and supports our existing and new automotive manufacturing partners. Our sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

We also have invested significantly in our technology infrastructure and other initiatives to support our automotive financing and banking services platforms to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers, including GM and Chrysler. We are now able to access applications from almost all U.S. automotive dealerships under any brand. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

In addition, we expect our incentive programs, such as Ally Dealer Rewards and other market-driven strategies, to increase business volumes and the number of products used by dealers. Other major initiatives underway such as dealer diversification strategies and additional preferred relationships with other manufacturers should increase our consumer retail, lease, and dealer funding volumes. The used vehicle financing market is highly fragmented and we believe this provides us with a growth opportunity within our franchised dealer relationships. We believe our significant presence in attractive markets such as China and Brazil also supports our growth opportunity internationally.

Leading direct banking franchise.

We believe Ally Bank is well-positioned for continued growth within the direct banking market. The Ally Bank brand has attained strong recognition since it was launched in 2009. Ally Bank provides us with a diversified source of stable, low-cost funding. The bank s assets primarily consist of high quality commercial and consumer automotive finance receivables and conforming and government-insured residential mortgage loans originated through our automotive and mortgage businesses, respectively. We believe there are opportunities to deliver other products to our growing banking customer base, in addition to our full suite of deposit, savings and checking products.

Complementary mortgage origination and servicing operations.

Our Origination and Servicing business is one of the largest participants in the U.S. residential mortgage loan market and provides us with an additional source of profitability. It is now focused on the segments of the mortgage loan market that have remained profitable for us during the housing crisis. We believe our Origination and Servicing operations are well-positioned as a result of our strong market position, scalable platform, well-known brands and extensive experience.

Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of September 30, 2011 was 725. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first nine months of 2011 and fiscal year 2010, the loss rate on our U.S. consumer automotive portfolio was 0.61% and 1.73%, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During the first nine months of 2011 and fiscal year 2010, the loss rate on our U.S. commercial automotive portfolio was 0.06% and 0.27%, respectively.

The loans originated in our mortgage operations are currently comprised primarily of high credit quality conforming, government-insured and prime jumbo residential mortgage loans. We have substantially reduced and derisked our legacy mortgage exposure of nonconforming assets through writedowns, run-offs and divestitures over the last three years. We have also settled with Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), as well as several other counterparties, which resolved certain material repurchase obligations with each counterparty. At September 30, 2011, we held reserves of $829 million for potential repurchase obligations for loans we sold to counterparties. See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-balance Sheet Arrangements Government-sponsored Enterprises for further details with respect to the scope of our settlement agreements with Fannie Mae and Freddie Mac.

We have demonstrated strong access to funding and liquidity that are critical to our business. In the first nine months of 2011 and fiscal year 2010, we raised nearly $32 billion and nearly $36 billion of secured and unsecured funding in the capital markets, respectively. We also have significant liquidity available beyond capital markets funding with access to $39.5 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at September 30, 2011.

Our access to deposits is an important source of diversified funding. Approximately 32% of our funding at the end of the first nine months of 2011 came from deposits compared to 14% at the end of 2008. We believe

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Ally Bank gives us the stable, low-cost benefits of deposit funding with a direct-to-consumer delivery model. Ally Bank s leadership in direct banking, recognizable brand and compelling customer value proposition position us well for consistent growth.

Our balance sheet is well capitalized. At September 30, 2011, we had a Tier 1 capital ratio of 14.34%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

Our senior management team is comprised of financial professionals with deep operating experience in automotive and consumer finance and extensive experience managing some of the largest and most successful financial institutions in the world. Our senior management team has successfully led our return to profitability and the development of our strong liquidity and capital position following the financial crisis. Our management team has taken significant actions to make our automotive finance business more efficient and better positioned for growth opportunities. Substantial actions have also been taken to materially reduce the legacy risk in our mortgage operations. Our capital structure and prudent liquidity actions by management have positioned us for growth as the automotive industry and overall economy continue to rebound.

Our Business Strategy

Expand our position as a leading global provider of automotive financial services products.

We believe that our dealer-focused business model, global platform, full range of product offerings and sales organization position us to further broaden our relationships with existing and new dealers and automotive manufacturers, and to originate attractive retail automotive loans and leases for our portfolio in addition to other products. Our market-driven strategies, including incentive programs, have been designed and implemented to drive higher business volumes with our dealer relationships. Furthermore, we have dedicated resources to the underwriting and financing of used vehicle sales that should allow us to expand loan origination volume with our existing dealer base. We are also leveraging our existing dealer relationships, product suite, and extensive operating experience to expand our diversified dealer network and facilitate financing relationships with additional automotive manufacturers. We intend to continue to strongly support our financing relationships with GM and Chrysler by providing dependable new car inventory and consumer financing through all economic cycles. We will continue to utilize our international infrastructure to build upon our strong presence in attractive, developing markets such as China, Brazil and Mexico. Our objective is to generate incremental profitability and asset growth without straying from our core competencies in automotive finance.

Continue to generate consistent results through our Mortgage operations.

Our Mortgage Origination and Servicing operations, which primarily originate and service high credit quality mortgage loans, provide a complementary source of consumer assets and a diversified source of profitability. The vast majority of our mortgage loans are originated, financed, and sold without significant balance sheet growth.

We plan to prudently expand our direct lending origination channel to complement our existing origination platform. Our servicing operations are fee-based and do not expose us to significant credit risk. We expect to sell the vast majority of our mortgage loans soon after origination, thereby reducing funding requirements.

Reduce our funding costs and continue funding diversification.

We continue to expand and diversify our funding in order to improve our profitability and enhance our competitiveness. Our success at developing our franchise at Ally Bank has supported the growth of our retail

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deposit base to $26.3 billion at September 30, 2011 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

Our objective is to attain investment grade credit ratings from the rating agencies. We believe that improved ratings will help us to reduce our cost of funds further and improve our ability to compete even more effectively with other large banks and financial institutions across all products. We believe that the stable performance of our asset base, strong capitalization, demonstrated access to diversified funding markets, and the ability to operate profitably will help us reach this goal over time.

By continuing to diversify our funding sources and lower our overall cost of funding, including the prudent growth of Ally Bank, we believe that we can provide even more efficient and consistent funding for our dealers and their retail customers through various economic cycles.

Maintain a strong balance sheet through disciplined origination, servicing and risk management.

We will continue to focus primarily on originating and managing secured automotive and mortgage loans and related products. The types of secured commercial and consumer automotive loans that we originate performed well through the recent financial crisis. Our Mortgage Origination and Servicing operations originate conforming, government-insured residential and prime jumbo residential mortgage loans, which we believe have an attractive risk return profile. We believe we have significantly reduced our risk profile and improved our profitability by divesting and discontinuing a number of noncore activities.

We believe that we maintain strong levels of capital and liquidity relative to other bank holding companies. Our strategy is to materially increase our volume of automotive finance assets within our existing infrastructure and with prudent underwriting criteria which we believe will allow us to efficiently utilize our capital and enhance our profitability.

Improve our shareholder return profile.

We seek to enhance our returns for shareholders by prudently originating loans and leases across the credit spectrum. We have also recently increased our focus on offering financing for used vehicles through our franchised dealer relationships. We have invested significant capital in risk management and technology to manage this expansion. By prudently expanding automotive originations across broad credit segments and with continued diversification, we believe we can increase asset yields and generate attractive risk-adjusted returns in a variety of interest rate and credit environments. We plan to continue to decrease our overall costs by increasing productivity, adding retail deposits, and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. The combination of higher asset yields and lower operating and funding costs with an efficient capital structure will provide opportunities for us to improve returns to our shareholders.

Corporate Information

Our principal executive offices are located at 200 Renaissance Center, P.O. Box 200, Detroit, Michigan 48265-2000 and our telephone number is (866) 710-4623. Our website is www.ally.com. Our website and the information included in, or linked to on, our website are not part of this prospectus. We have included our website address in this prospectus solely as a textual reference.

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THE OFFERING

Common stock offered by the selling stockholder	shares.
Common stock to be outstanding after this offering	shares (assuming no exercise of the underwriters over-allotment option and assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the price range set forth on the cover of this prospectus) for purposes of calculating the number of shares we issue to Treasury in the conversion under Concurrent transactions below). This number of shares to be outstanding after this offering does not include any shares of our common stock that may be issued upon settlement of the purchase contracts that are components of the Units being offered concurrently with this offering, as described opposite the caption Concurrent transactions below.
Over-allotment option	shares from the selling stockholder to cover over-allotments.
Common stock listing	We have applied to list our common stock on the NYSE under the symbol ALLY.
Voting rights	One vote per share.
Use of proceeds	Ally will not receive any proceeds from sale of common stock in the offering.
Dividend policy	We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G preferred stock) prohibits us from making dividend payments on our common stock before January 1, 2014 and restricts our ability to pay dividends thereafter. In addition, so long as any share of our Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Series A preferred stock) remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.
	In addition, any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection.
Concurrent transactions	Treasury currently holds 118,750,000 shares of our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the Series F-2 preferred stock), having an aggregate liquidation amount

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of $5,937,500,000. In connection with this offering and the concurrent Units offering, Treasury intends (i) to convert (the conversion) 58,750,000 shares of Series F-2 preferred stock into shares of our common stock based on a conversion price equal to the public offering price of our common stock in this offering (the common stock public offering price), and (ii) to exchange (the exchange) the remaining 60,000,000 shares of Series F-2 preferred stock having an aggregate liquidation amount of $3 billion, for a number of our tangible equity units (the Units) having an aggregate stated amount of $3 billion.

The number of shares of common stock we intend to issue to Treasury in connection with the conversion will depend upon the common stock public offering price. The higher the common stock public offering price is, the fewer the number of shares of common stock Treasury will receive and the lower the common stock public offering price is, the greater the number of shares of common stock Treasury will receive. The following table sets forth the number of shares we will issue to Treasury in connection with the conversion for each common stock public offering price set forth below:

Public Offering Price	Number of Shares Issued to Treasury
$	
$	
$	
$	

In addition, we and Treasury intend to modify certain terms of the Series F-2 preferred stock relating to the anti-dilution provisions applicable to the common stock received by Treasury from its partial conversion of Series F-2 preferred stock in December 2010, so that Treasury will receive additional shares of our common stock in connection with the offering.

Treasury is offering in the concurrent Units offering a number of Units having an aggregate stated amount of $, *plus* up to an additional number of Units having an aggregate stated amount of $ to cover over-allotments, if any. Upon completion of the Units offering, Treasury will hold Units having an aggregate stated amount of $ (or $ if the underwriters for the Units offering exercise their over-allotment option in full). The Units that are retained by Treasury will be fungible with the Units being offered in the Units offering.

The closing of each of the Units offering, this offering, the conversion and the exchange is conditioned upon the closing of each such other transaction.

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Certain Accounting Treatment of Treasury s Conversion and Receipt of Additional Shares	In connection with Treasury s intention to convert shares of Series F-2 preferred stock it holds into common stock as part of this offering and at the common stock public offering price, Treasury will receive a number of shares of our common stock in excess of the amount it would have received pursuant to the stated conversion rate in the Series F-2 preferred stock. In addition, as stated above, Treasury will also receive additional shares of our common stock as a result of an agreed upon modification to the terms of the Series F-2 preferred stock. The value of these additional shares received by Treasury will be treated as a dividend or equivalent for financial reporting purposes. The issuance of these additional shares will be a one-time non-cash transaction, which will not affect the amount of our total equity. It will increase our accumulated deficit with an offsetting increase to common stock and paid-in capital, and the value of the non-cash dividend will reduce our net income attributable to common shareholders and therefore will substantially affect the calculation of earnings per share in the quarter in which this offering closes and the full year. Assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the range set forth on the cover of this prospectus), net income attributable to common stock will be reduced by $ in the quarter in which this offering closes and earnings per share will be reduced by $ per share due to this one time, non-cash transaction.
Risk factors	See Risk Factors beginning on page 18 of this prospectus for a discussion of risks you should carefully consider before deciding whether to invest in our common stock.

Unless we specifically state otherwise, the information in this prospectus (i) does not take into account shares issuable under our equity compensation incentive plan and (ii) assumes for purposes of calculating the number of shares of common stock we will issue to Treasury in the conversion that the common stock public offering price will be $ per share (the midpoint of the price range set forth on the cover of this prospectus). All applicable share, per share and related information in this prospectus for periods on or subsequent to has been adjusted retroactively for the -for-one stock split on shares of our common stock effected on , 2011.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2010, 2009 and 2008 and the consolidated balance sheet data at December 31, 2010 and 2009 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2007 and 2006 and the consolidated balance sheet data at December 31, 2008, 2007 and 2006 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the nine months ended September 30, 2011 and 2010 and the condensed consolidated balance sheet data at September 30, 2011 and 2010 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the nine months ended September 30, 2011 are not necessarily indicative of those to be expected for the fiscal year.

	At and for the nine months ended September 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
				($ in millions)			
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 7,515	$ 8,785	$ 11,447	$ 13,100	$ 18,054	$ 21,761	$ 24,100
Interest expense	4,904	5,098	6,836	7,274	10,441	13,553	14,638
Depreciation expense on operating lease assets	773	1,636	2,030	3,748	5,478	4,551	5,055
Impairment of investment in operating leases					1,218		
Net financing revenue	1,838	2,051	2,581	2,078	917	3,657	4,407
Total other revenue (a)	2,787	3,943	5,321	4,417	15,271	6,161	7,860
Total net revenue	4,625	5,994	7,902	6,495	16,188	9,818	12,267
Provision for loan losses	213	371	442	5,604	3,102	3,037	1,948
Total other noninterest expense	4,241	4,676	6,281	7,850	8,349	8,203	8,457
Income (loss) from continuing operations before income tax (benefit) expense	171	947	1,179	(6,959)	4,737	(1,422)	1,862
Income tax (benefit) expense from continuing operations (b)	101	117	153	74	(136)	496	22
Net income (loss) from continuing operations	70	830	1,026	(7,033)	4,873	(1,918)	1,840
(Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Net income (loss)	$ 49	$ 996	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
				($ in millions, except per share data)			
Net income (loss) attributable to common shareholders							
Net income (loss) from continuing operations	$ 70	$ 830	$ 1,026	$ (7,033)	$ 4,873	$ (1,918)	$ 1,840
Less: Preferred stock dividends U.S. Department of Treasury	400	643	963	855			
Less: Preferred stock dividends	194	212	282	370		192	21
Less: Impact of conversion of preferred stock and related amendment			616(c)				
Less: Impact of preferred stock accretion to redemption value							274

Less: Impact of preferred stock amendment	(32)						
Net (loss) income from continuing operations attributable to common shareholders (a)	(492)	(25)	(835)	(8,258)	4,873	(2,110)	1,545
(Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Net (loss) income attributable to common shareholders	$ (513)	$ 141	$ (786)	$ (11,523)	$ 1,868	$ (2,524)	$ 1,830
Basic and diluted weighted-average common shares outstanding	1,330,970	799,120	800,597	529,392	108,884	101,331	8,620
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	$ (370)	(31)	$ (1,042)	$ (15,596)	$ 44,747	$ (20,825)	$ 179,229
(Loss) income from discontinued operations, net of tax	(16)	208	61	(6,169)	(27,595)	(4,086)	33,062
Net (loss) income	$ (386)	$ 177	$ (981)	$ (21,765)	$ 17,152	$ (24,911)	$ 212,291

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	At and for the nine months ended September 30, 2011	2010	At and for the year ended December 31, 2010	2009	2008	2007	2006
				($ in millions)			
Pro forma data (e):							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	$ 49	$ 996	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
Add: Original issue discount amortization expense (g)	825	999	1,300	1,143	70		
Add: Income tax (benefit) expense from continuing operations	101	117	153	74	(136)	496	22
Less: Gain on extinguishment of debt related to the 2008 bond exchange					11,460		
Less: (Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Core pretax income (loss) (f)	$ 996	$ 1,946	$ 2,479	$ (5,816)	$ (6,653)	$ (1,422)	$ 1,862
Selected balance sheet data (period end):							
Total assets	$ 181,956	$ 173,191	$ 172,008	$ 172,306	$ 189,476	$ 248,939	$ 291,971
Long-term debt	$ 90,546	$ 87,547	$ 86,612	$ 88,021	$ 115,935	$ 159,342	$ 193,387
Preferred stock/interests (d)	$ 6,940	$ 12,180	$ 6,972	$ 12,180	$ 6,287	$ 1,052	$
Total equity	$ 19,732	$ 20,977	$ 20,489	$ 20,839	$ 21,854	$ 15,565	$ 14,369
Financial ratios							
Efficiency ratio (h)	91.70%	78.01%	79.49%	120.86%	51.58%	83.55%	68.94%
Core efficiency ratio (h)	77.82%	66.87%	68.26%	102.78%	174.01%	83.55%	68.94%
Return on assets (i)							
Net income (loss) from continuing operations	0.05%	0.62%	0.58%	(3.95)%	2.57%	(0.77)%	0.63%
Net income (loss)	0.04%	0.74%	0.61%	(5.79)%	0.99%	(0.94)%	0.73%
Core pretax income (loss)	0.74%	1.45%	1.40%	(3.27)%	(3.51)%	(0.57)%	0.64%
Return on equity (i)							
Net income (loss) from continuing operations	0.46%	5.36%	4.95%	(29.00)%	22.30%	(12.32)%	12.81%
Net income (loss)	0.32%	6.41%	5.19%	(42.46)%	8.55%	(14.98)%	14.79%
Core pretax income (loss)	6.52%	12.56%	11.97%	(23.98)%	(30.44)%	(9.14)%	12.96%
Equity to assets (i)	11.37%	11.55%	11.72%	13.63%	11.53%	6.25%	4.92%
Net interest spread (i)(j)	1.04%	1.37%	1.23%	0.65%	(k)	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.87%	2.44%	2.29%	1.68%	(k)	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.57%	1.91%	1.79%	1.37%	(k)	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.24%	2.76%	2.63%	2.13%	(k)	(k)	(k)
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (m)	14.34%	15.36%	15.00%	14.15%	(k)	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	15.50%	16.81%	16.36%	15.55%	(k)	(k)	(k)
Tier 1 leverage (to adjusted average assets) (o)	11.61%	12.46%	13.05%	12.70%	(k)	(k)	(k)
Shareholders equity	$ 19,732	$ 20,977	$ 20,489	$ 20,839	(k)	(k)	(k)
Goodwill and certain other intangibles	(507)	(533)	(532)	(534)	(k)	(k)	(k)
Unrealized gains and other adjustments	(292)	(416)	(309)	(447)	(k)	(k)	(k)
Trust preferred securities	2,542	2,541	2,541	2,540	(k)	(k)	(k)

Tier 1 capital (m)	21,475	22,569	22,189	22,398	(k)	(k)	(k)
Preferred equity	(6,940)	(12,180)	(6,971)	(12,180)	(k)	(k)	(k)
Trust preferred securities	(2,542)	(2,541)	(2,541)	(2,540)	(k)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 11,993	$ 7,848	$ 12,677	$ 7,678	(k)	(k)	(k)
Risk-weighted assets (q)	$ 149,713	$ 146,973	$ 147,964	$ 158,314	(k)	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	8.01%	5.34%	8.57%	4.85%	(k)	(k)	(k)

(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter. Total other revenue for 2006 includes realized capital gains of $1.1 billion primarily related to the rebalancing of our investment portfolio at our Insurance operations.

(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Effective November 28, 2006, we, along with certain of our U.S. subsidiaries, converted to limited liability companies (LLCs) and became pass-through entities for U.S. federal income tax purposes. Our conversion to an LLC resulted in a change in tax status and the elimination of a $791 million net deferred tax liability through income tax expense. Refer to Note 24 to the fiscal year Consolidated Financial Statements (the Consolidated Financial Statements) for additional information regarding our changes in tax status.

(c) This amount relates to the conversion by Treasury of 110,000,000 shares of Series F-2 preferred stock into 531,850 shares of our common stock that occurred on December 30, 2010. Refer to Note 20 to the Consolidated Financial Statements for further detail.

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

(e) The pro forma financial information gives effect to this offering as if it has closed on January 1, 2010, and reflects (i) the receipt by Treasury of additional shares of common stock in connection with this offering, (ii) increased interest expense on the amortizing notes at an assumed interest rate of % (tax affected at the historical rates reflected in the financial statements for 2010 and the nine months ended September 30, 2011) and (iii) the elimination of dividends of $ on the Series F-2 preferred stock being converted into common stock and exchanged for Units in this offering. The pro forma financial information does not reflect the value of the additional shares received by Treasury that will be treated as a one-time, non-cash dividend of $ in the quarter in which this offering closes and the related reduction of $ per share in earnings per share.

(f) Core pretax income (loss) is not a financial measure defined by generally accepted accounting principles in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including $50 million and $101 million of accelerated amortization that was reported as a loss on extinguishment of debt in the first nine months of 2011 Condensed Consolidated Statement of Income and fiscal year 2010 Consolidated Statement of Income, respectively.

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(h) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.

(i) The 2011, 2010 and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008, 2007, and 2006 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008, 2007, and 2006.

(j) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.

(k) Not applicable at December 31, 2008, 2007, and 2006, as we did not become a bank holding company until December 24, 2008.

(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

(m) Tier 1 capital generally consists of common equity, minority interests, qualifying preferred stock (including fixed rate cumulative preferred stock issued and sold to Treasury) and purchase contracts (including the purchase contracts that are components of the Units being offered in the concurrent offering) less goodwill and other adjustments.

(n) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

(o) Tier 1 leverage equals Tier 1 capital divided by adjusted average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

(p) We define Tier 1 common as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries, and qualifying trust preferred securities. However, the purchase contracts that are components of the Units being offered in the concurrent offering are not subtracted from Tier 1 capital to determine Tier 1 common. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(q) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

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RISK FACTORS

You should carefully consider the following risk factors that may affect our business, future operating results and financial condition, as well as the other information set forth in this prospectus before making a decision to invest in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our common stock would likely decline due to any of these risks, and you may lose all or part of your investment.

Risks Related to Regulation

Our business, financial condition, and results of operations could be adversely affected by regulations to which we are subject as a result of our bank holding company status.

On December 24, 2008, the FRB approved our application to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the BHC Act). Many of the regulatory requirements to which we are subject as a bank holding company were not previously applicable to us and have and will continue to require significant expense and devotion of resources to fully implement processes that will be necessary to ensure compliance. Compliance with such laws and regulations involves substantial costs and may adversely affect our ability to operate profitably. Recent events, particularly in the financial and real estate markets, have resulted in bank regulatory agencies placing increased focus and scrutiny on participants in the financial services industry, including us. For a description of our regulatory requirements, see Business Certain Regulatory Matters .

Ally is subject to ongoing supervision by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management s ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations. As a result of Ally s conversion to a bank holding company, Ally and Ally Bank have been required to implement policies and procedures and take other actions to improve their current processes and to seek to ensure adherence to applicable regulatory guidelines and standards.

Ally is currently required by its banking supervisors to make improvements in areas such as board and senior management oversight, risk management, regulatory reporting, internal audit planning, capital adequacy process, stress testing, and Bank Secrecy Act / anti-money laundering compliance, and to continue to reduce problem assets. Separately, Ally Bank is currently required by its banking supervisors to make improvements in areas such as compliance management and training, consumer protection monitoring, consumer complaint resolution, internal audit program and residential mortgage loan pricing, and fee monitoring. These requirements are judicially enforceable, and if we are unable to implement and maintain these required actions, plans, policies and procedures in a timely and effective manner and otherwise comply with the requirements outlined above, we could become subject to formal supervisory actions which could subject us to significant restrictions on our existing business or on our ability to develop any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such action through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory action could have a material adverse effect on our business, operating flexibility, financial condition, and results of operations.

Our ability to engage in certain activities may be adversely affected by our status as a bank holding company.

As a bank holding company, Ally s activities are generally limited to banking or to managing or controlling banks or other companies engaged in activities deemed closely related to banking or otherwise permissible under the BHC Act and related regulations. Likewise, Ally generally may not hold more than 5% of any class of voting

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shares of any company unless that company s activities conform with the above requirements. Upon our bank holding company approval, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This initial grace period expired in December 2010; however, the FRB has granted a one-year extension that expires in December 2011. We will be permitted to apply to the FRB for up to two additional one-year extensions. Certain of Ally s existing activities and investments, including most of our insurance activities and our SmartAuction vehicle remarketing services, are deemed impermissible under the BHC Act and must be terminated or disposed of by the expiration of this extension and any additional extensions. While some of these activities may be continued if Ally is able to convert to a financial holding company under the BHC Act, Ally may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. The FRB may also decline to grant any additional requested extensions, and Ally may be obligated to terminate or dispose of any impermissible activities, businesses, or investments more quickly than anticipated or under terms less advantageous to Ally than expected. Either situation could have a material adverse effect on our business, results of operations, and financial position.

As a bank holding company, our ability to expand into new business activities requires us to obtain the prior approval of the relevant banking supervisors. There can be no assurance that any required approval will be obtained or that we will be able to execute on these plans in a timely manner or at all. If we are unable to obtain approval to expand into new business activities, our business, results of operations, and financial position may be materially adversely affected.

Our business and financial condition could be adversely affected as a result of issues relating to mortgage foreclosures, home sales, and evictions in certain states and our entry into a related consent order.

Representatives of federal and state governments, including the United States Department of Justice, the FRB, the FDIC, the SEC, and law enforcement authorities in all 50 states, are currently investigating the procedures followed by mortgage servicing companies and banks, including subsidiaries of Ally, in connection with mortgage foreclosure home sales and evictions. On December 1, 2011, the Commonwealth of Massachusetts filed an enforcement action in the Suffolk County Superior Court against GMAC Mortgage and several other lender/servicers. The Commonwealth claims that certain aspects of defendants foreclosure processes are unlawful, that defendants do not always process loan modification accurately, and that defendants use of the Mortgage Electronic Registration Systems (MERS) has damaged the integrity of the Commonwealth s Torrens recording system. The Commonwealth seeks civil penalties, injunctive relief, costs and attorneys fees. While the results of these investigations and the enforcement action are uncertain, we expect that Ally or its subsidiaries will become subject to penalties, sanctions, or other adverse actions, including monetary fines, which could be substantial and have a material adverse impact on our results of operations, financial position or cash flows. While we believe that a monetary fine is probable, we are not able to provide an estimate based on information currently available, nor are we able to estimate a range of reasonably possible losses.

As a result of an examination conducted by the FRB and FDIC, on April 13, 2011, each of Ally, Ally Bank, Residential Capital, LLC and GMAC Mortgage, LLC (collectively, the Ally Entities) entered into a Consent Order (the Order) with the FRB and the FDIC. The Order requires the Ally Entities to make improvements to various aspects of our residential mortgage loan servicing business, including compliance programs, internal audit, communications with borrowers, vendor management, management information systems, employee training, and oversight by the boards of the Ally Entities. We estimate that incremental costs to the applicable mortgage companies for implementation and ongoing compliance related to these matters to be approximately $30-40 million annually during 2011 through 2013, but these amounts could be higher. The majority of these incremental annual costs are for additional servicing, vendor management, legal, compliance, and internal audit personnel.

The Order further requires the Ally Entities to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (Foreclosure Review). Based on current expectations, we estimate total costs to the applicable

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mortgage companies related to the Foreclosure Review to be up to $200 million. However, it is possible that the scope of the required Foreclosure Review will be expanded, and if that occurs, total costs could be significantly higher. We expect these costs to be incurred during the remainder of 2011 and through 2012, although it is possible that such costs could be incurred beyond 2012.

We cannot estimate the ultimate impact of any deficiencies that have been or may be identified in the historical foreclosure procedures of certain of our mortgage subsidiaries (Mortgage Companies). There are potential risks related to these matters that extend beyond potential liability on individual foreclosure actions. Specific risks could include, for example, claims and litigation related to foreclosure remediation and resubmission; claims from investors that hold securities that become adversely impacted by continued delays in the foreclosure process, the reduction in foreclosure proceeds due to delay, or by challenges to completed foreclosure sales to the extent, if any, not covered by title insurance obtained in connection with such sales; actions by courts, state attorneys general, or regulators to delay further the foreclosure process after submission of corrected affidavits, or to facilitate claims by borrowers alleging that they were harmed by our foreclosure practices (by, for example, foreclosing without offering an appropriate range of alternative home preservation options); regulatory fines, sanctions, and other additional costs; and reputational risks. To date we have borne all out-of-pocket costs associated with the remediation rather than passing any such costs through to investors for whom we service the related mortgages, and we expect that we will continue to do so.

Our ability to execute our business strategy may be affected by regulatory considerations.

Our business strategy for Ally Bank, which includes further expansion of both automotive and mortgage lending, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors determine that any aspect of our business strategy for Ally Bank raises any safety and soundness concerns, we may be obliged to alter our strategy, including by moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as asset securitization or financings in the capital markets, could be more expensive than funding through Ally Bank and could adversely effect our business prospects, results of operations and financial condition.

Our ability to rely on deposits as a part of our funding strategy may be limited.

Ally Bank continues to be a key part of our funding strategy, and we have increased our reliance on deposits as an alternative source of funding through Ally Bank. Ally Bank does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits (which, at December 31, 2010, included $10 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates). Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact our ability to grow our deposit base. As we have established the Ally Bank brand and increased our retail deposit base over the past two years, we have reduced offered rates on new retail deposits. However, a strategy of continuing to offer reduced rates in the future could limit our ability to further grow or maintain deposits. Even if we are able to grow the deposit base of Ally Bank, our regulators may impose restrictions on our ability to use Ally Bank deposits as a source of funding for certain business activities potentially raising the cost of funding those activities without the use of Ally Bank deposits.

The FDIC has indicated that it expects Ally to diversify Ally Bank s overall funding and to focus on reducing Ally Bank s overall funding costs including the interest rates paid on Ally Bank deposits. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity Management, Funding and Regulatory Capital Funding Strategy for additional information about these diversification activities. As stated above, over the past few years, we have reduced rates on retail deposits, resulting in lower cost of funds for deposits. However, it is possible that such further reductions of rates on retail deposits could limit Ally Bank s ability to grow or maintain deposits, which could have a material adverse impact on the funding and capital position of Ally.

The regulatory environment in which we operate could have a material adverse effect on our business and earnings.

Our domestic operations are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions relating to supervision and regulation by state and federal authorities. Such regulation and supervision are primarily for the benefit and protection of our customers, not for the benefit of investors in our securities, and could limit our discretion in operating our business. Noncompliance with applicable statutes, regulations, rules, or policies could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

Ally, Ally Bank, and many of our nonbank subsidiaries are heavily regulated by bank and other regulatory agencies at the federal and state levels. This regulatory oversight is established to protect depositors, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not security holders. Changes to statutes, regulations, rules, or policies including the interpretation or implementation of statutes, regulations, rules, or policies could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties to offer competing financial services and products.

Our operations are also heavily regulated in many jurisdictions outside the United States. For example, certain of our foreign subsidiaries operate either as a bank or a regulated finance company, and our insurance operations are subject to various requirements in the foreign markets in which we operate. The varying requirements of these jurisdictions may be inconsistent with U.S. rules and may materially adversely affect our business or limit necessary regulatory approvals, or if approvals are obtained, we may not be able to continue to comply with the terms of the approvals or applicable regulations. In addition, in many countries, the regulations applicable to the financial services industry are uncertain and evolving, and it may be difficult for us to determine the exact regulatory requirements.

Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market with regard to the affected product and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted, or that we will not be prohibited by local laws or regulators from raising interest rates above certain desired levels, any of which could materially adversely affect our business, operating flexibility, financial condition, or results of operations.

Financial services legislative and regulatory reforms may have a significant impact on our business and results of operations.

On July 21, 2010, the President of the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). The Dodd-Frank Act will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:

- result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with $50 billion or more in consolidated assets;
- result in the appointment of the FDIC as receiver of Ally in an orderly liquidation proceeding if the Secretary of Treasury, upon recommendation of two-thirds of the FRB and the FDIC and in consultation with the President of the United States, finds Ally to be in default or danger of default;
- affect the levels of capital and liquidity with which Ally must operate and how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;

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impact Ally s ability to invest in certain types of entities or engage in certain activities;

impact a number of Ally s business and risk management strategies;

restrict the revenue that Ally generates from certain businesses; and

subject Ally to a new Consumer Financial Protection Bureau, which will have very broad rule-making and enforcement authorities.

As the Dodd-Frank Act requires that many studies be conducted and that hundreds of regulations be written in order to fully implement it, the full impact of this legislation on Ally, its business strategies, and financial performance cannot be known at this time and may not be known for a number of years. In addition, regulations may impact us differently in comparison to other more established financial institutions. However, these impacts are expected to be substantial and some of them are likely to adversely affect Ally and its financial performance. The extent to which Ally can adjust its strategies to offset such adverse impacts also is not knowable at this time.

Our business may be adversely affected upon our implementation of the revised capital requirements under the Basel III capital rules.

The Bank for International Settlements Basel Committee on Banking Supervision recently adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III increases (i) the minimum Tier 1 common equity ratio from 2.0% to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0% and (ii) the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3% based on a measure of the total exposure rather than total assets and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs) and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in Tier 1 capital. In addition, under Basel III rules, after a 10-year phase-out period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 1, 2013. At September 30, 2011, Ally had $2.4 billion of MSRs and $2.5 billion of trust preferred securities, which were included as Tier 1 capital. Ally currently has no other hybrid securities outstanding. The Basel III rules, when implemented, will impose limits on Ally s ability to meet its regulatory capital requirements through the use of MSRs, trust preferred securities, or other hybrid securities, if applicable.

If we or Ally Bank fail to satisfy regulatory capital requirements, we or Ally Bank may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to informal or formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position.

The actions of the FRB and international central banking authorities directly impact our cost of funds for lending, capital raising, and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

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Future consumer or mortgage legislation could harm our competitive position.

In addition to the recent enactment of the Dodd-Frank Act, various legislative bodies have also recently been considering altering the existing framework governing creditors rights and mortgage products including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business; limit or expand permissible activities; or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted, and if enacted, the effect that it or any regulations would have on our activities, financial condition, or results of operations.

Ally and its subsidiaries are or may become involved from time to time in information-gathering requests, investigations and proceedings by government and self-regulatory agencies which may lead to adverse consequences.

Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in information-gathering requests, reviews, investigations, and proceedings (both formal and informal) by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, SEC and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the U.S. Department of Justice, served on Ally Financial Inc. and GMAC Mortgage LLC, respectively, which we received in June 2011 and include requests for documentation related to certain mortgage activities. The subpoenas received from the SEC include broad requests for documentation related to various aspects of the securitizations we have participated in, including agreements we entered into with mortgage originators or mortgage sellers whereby we received value in lieu of such mortgage originator or mortgage seller repurchasing a loan from us, and our activities as master servicer and sponsor with respect to certain securitizations. The subpoena received from the U.S. Department of Justice includes a broad request for documentation and other information in connection with its investigation of potential fraud related to the origination and/or underwriting of mortgage loans. These subpoenas, or any other investigation or information-gathering request, may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

Our business, financial position, and results of operations could be adversely affected by the impact of affiliate transaction restrictions imposed in connection with certain financing transactions.

Certain transactions between Ally Bank and any of its nonbank affiliates, including but not limited to Ally Financial Inc. and Residential Capital, LLC (ResCap) are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions, including Ally Bank s extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank s capital stock and surplus with an aggregate limit of 20% of Ally Bank s capital stock and surplus for all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). Under the Dodd-Frank Act, among other changes to Sections 23A and 23B of the Federal Reserve Act, credit exposures resulting from derivatives transactions and securities lending and borrowing transactions will be treated as covered transactions. Furthermore, there is an attribution rule that provides that a transaction between Ally Bank and a third party will be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, a nonbank affiliate of Ally Bank. Retail financing transactions by Ally Bank involving vehicles which are floorplan financed by Ally Financial Inc. are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally.

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The FRB is authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it finds such exemptions to be in the public interest and consistent with the purposes of the rules. The FRB has granted several such exemptions to Ally Bank. However, the existing exemptions are subject to various conditions and any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain any further exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in these exemption letters.

Ally Financial Inc. may in the future require distributions from its subsidiaries.

We currently fund Ally Financial Inc. s obligations, including dividend payments to our preferred shareholders, and payments of interest and principal on our indebtedness, from cash generated by Ally Financial Inc. In the future, Ally Financial Inc. may not generate sufficient funds at the parent company level to fund its obligations. As such, it may require dividends, distributions, or other payments from its subsidiaries to fund its obligations. However, regulatory and other legal restrictions may limit the ability of Ally Financial Inc. s subsidiaries to transfer funds freely to Ally Financial Inc. In particular, many of Ally Financial Inc. s subsidiaries are subject to laws, regulations, and rules that authorize regulatory bodies to block or reduce the flow of funds to it or that prohibit such transfers entirely in certain circumstances. These laws, regulations, and rules may hinder Ally Financial Inc. s ability to access funds that it may need to make payments on its obligations in the future. Furthermore, as a bank holding company, Ally Financial Inc. may become subject to a prohibition or to limitations on its ability to pay dividends. The bank regulators have the authority and, under certain circumstances, the duty to prohibit or to limit payment of dividends by the banking organizations they supervise, including Ally Financial Inc. and its subsidiaries.

Current and future increases in FDIC insurance premiums, including the FDIC special assessment imposed on all FDIC-insured institutions, could decrease our earnings.

During 2008 and continuing in 2009 and 2010, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the Deposit Insurance Fund (the DIF). In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the DIF. In September 2009, the FDIC voted to adopt an increase in the risk-based assessment rate effective beginning January 1, 2011, by three basis points. Further, the Dodd-Frank Act alters the calculation of an insured institution s deposit base for purposes of deposit insurance assessments and removes the upper limit for the reserve ratio designated by the FDIC each year. On February 7, 2011, the FDIC approved a final rule implementing these changes, which took effect on April 1, 2011. The FDIC will continue to assess the changes to the assessment rates at least annually. Future deposit premiums paid by Ally Bank depend on the level of the DIF and the magnitude and cost of future bank failures. Any increases in deposit insurance assessments could decrease our earnings.

Risks Related to Our Business

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM and Chrysler.

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our domestic and, in particular, our International Automotive Finance operations are highly dependent on GM production and sales volume. In 2010, 66% of our North American new vehicle dealer inventory financing and 66% of our North American new vehicle consumer automotive financing volume were for GM dealers and customers. In addition, 90% of our international new vehicle dealer inventory financing and 82% of our international new vehicle consumer automotive financing volume were for GM dealers and customers.

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Furthermore, we have expanded our financing footprint to Chrysler dealers and customers. We have entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers and customers pursuant to which we will be the preferred provider of new wholesale financing for Chrysler dealer inventory. In 2010, 26% of our North American new vehicle dealer inventory financing and 31% of our North American new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

Ally s agreements with GM and Chrysler to provide automotive financing products to their dealers and customers extend through December and April 2013, respectively. These agreements provide Ally with certain preferred provider benefits including limiting the use of other financing providers by GM and Chrysler in their incentive programs. The terms of the Ally agreement with GM changed after January 1, 2011, such that GM is now able to offer any incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with Ally, provided that the pricing of the third parties meets certain requirements. Due to the highly competitive nature of the market for financial services, Ally may be unable to extend one or both of these agreements or may face less favorable terms upon extension. If Ally is unable to extend one or both of these agreements or if GM enters a similar agreement with a third party, Ally s retail financing volumes could be materially and adversely impacted.

On October 1, 2010, GM acquired AmeriCredit Corp. (which GM subsequently renamed General Motors Financial Company, Inc.), an independent automotive finance company that focuses on providing leasing and subprime financing options. If GM were to direct substantially more business, including wholesale financing business, to its captive on noncommercial terms thus reducing its reliance on our services over time, it could have a material adverse effect on our profitability and financial condition. In addition, it is possible that GM or other automotive manufacturers could utilize other existing companies to support their financing needs including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

A significant adverse change in GM s or Chrysler s business, including significant adverse changes in their respective liquidity position and access to the capital markets; the production or sale of GM or Chrysler vehicles; the quality or resale value of GM or Chrysler vehicles; the use of GM or Chrysler marketing incentives; GM s or Chrysler s relationships with its key suppliers; or GM s or Chrysler s relationship with the United Auto Workers and other labor unions and other factors impacting GM or Chrysler or their respective employees, could have a material adverse effect on our profitability and financial condition. In addition, growth in our International Automotive Finance operations are highly dependent on GM, and therefore any significant change to GM s international business or our relationship with GM may hinder our ability to achieve our stated goal of expanding internationally.

There is no assurance that the global automotive market or GM s and Chrysler s respective share of that market will not suffer downturns in the future. Vehicle sales volume could be further adversely affected by any additional restructuring activities that GM or Chrysler may decide to pursue, if any. Any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position.

Our business requires substantial capital and liquidity, and disruption in our funding sources and access to the capital markets would have a material adverse effect on our liquidity, capital positions, and financial condition.

Our liquidity and the long-term viability of Ally depend on many factors including our ability to successfully raise capital and secure appropriate bank financing. We are currently required to maintain a Total risk-based capital ratio of 15% and a Tier 1 leverage ratio of 15% at Ally Bank. The latter will require that Ally maintain substantial equity funds in Ally Bank and inject substantial additional equity funds into Ally Bank as Ally Bank s assets increase over time.

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We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At September 30, 2011, approximately $1.0 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2011, and approximately $12.2 billion and $1.9 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2012 and 2013, respectively, which includes $7.4 billion in principal amount of debt issued under the FDIC s Temporary Liquidity Guaranty Program that matures in 2012. We also obtain short-term funding from the sale by Ally of floating rate demand notes, all of which the holders may elect to have redeemed by Ally at any time without restriction. At September 30, 2011, a total of $2.6 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At September 30, 2011, approximately $4.0 billion of outstanding consolidated secured debt is scheduled to mature in 2011, approximately $11.9 billion is scheduled to mature in 2012, and approximately $13.0 billion is scheduled to mature in 2013. Furthermore, at September 30, 2011, approximately $3.2 billion in certificates of deposit at Ally Bank is scheduled to mature in 2011, which is not included in the 2011 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over this period. The capital markets continue to be volatile, and Ally s access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was $784 million in the first nine months of 2011, and the scheduled amortization is $141 million, $350 million, and $264 million in 2011, 2012, and 2013, respectively.

As a result of the volatility in the markets and our current unsecured debt ratings, we have increased our reliance on various secured debt markets. Although market conditions have improved, there can be no assurances that this will continue. In addition, we continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While markets have begun to stabilize following the recent liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

Our indebtedness and other obligations are significant and could materially and adversely affect our business.

We have a significant amount of indebtedness. At December 31, 2010, we had approximately $96.8 billion in principal amount of indebtedness outstanding (including $42.4 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 54% of our total financing revenue and other interest income for the year ended December 31, 2010. In addition, during the twelve months ending December 31, 2010, we declared and paid preferred stock dividends of $1.2 billion in the aggregate.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

The worldwide financial services industry is highly competitive. If we are unable to compete successfully or if there is increased competition in the automotive financing, mortgage, and/or insurance markets or generally in the markets for securitizations or asset sales, our business could be negatively affected.

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has recently grown increasingly more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the recent economic downturn. For example, on April 1, 2011, TD Bank Group announced the closing of its acquisition of Chrysler Financial, which could enhance Chrysler Financial s ability to expand its product offerings and may result in increased competition. Our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

The markets for asset and mortgage securitizations and whole-loan sales are competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive or mortgage securitizations or whole-loans could negatively affect our ability and that of our subsidiaries to price our securitizations and whole loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition, and results of operations.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses, which represents management s best estimate of probable credit losses that have been incurred within the existing portfolio of loans, all as described under Note 1 to the Consolidated Financial Statements. The allowance, in the judgment of management, is established to reserve for estimated loan losses and risks inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Bank regulatory agencies periodically review our allowance for loan losses, as well as our methodology for calculating our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different than those of management. An increase in the allowance for loan losses results in a decrease in net income and capital and may have a material adverse effect on our capital, financial condition and results of operations.

Our mortgage subsidiary, ResCap, requires substantial liquidity and capital which could have an adverse effect on our own capital and liquidity position.

ResCap remains heavily reliant on support from us to meet its liquidity and capital requirements, which includes approximately $1.6 billion in principal amount of indebtedness scheduled to mature in 2011, 2012 and 2013. In addition, ResCap has commitments to lend up to $2.0 billion under existing home equity lines of credit it has extended to customers. Recent developments in the market for many types of mortgage products (including mortgage-backed securities) have resulted in reduced liquidity for these assets. As a result, a significant portion of ResCap s assets are relatively illiquid. Any negative events with respect to ResCap could serve as a further drain on our financial resources.

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Pursuant to an existing contractual arrangement, ResCap is precluded from paying any dividends to us, including any additional capital that we may provide in the future, if any.

ResCap employs various economic hedging strategies to mitigate the interest rate and prepayment risk inherent in many of its assets including its mortgage loans held-for-sale portfolio, MSRs, its portfolio of held-for-investment mortgage loans, and interests from securitizations. A significant portion of ResCap s operating cash at any given time may consist of funds delivered to it as credit support by counterparties to these arrangements. However, interest rate movements during 2010 required ResCap to return a significant amount of such funds. As interest rates change and dependent upon the hedge position, ResCap may need to continue to repay or deliver cash as credit support for these arrangements. If the amount ResCap must repay or deliver is substantial, depending on its liquidity position at that time, ResCap may not be able to pay such amounts as required.

The protracted period of adverse developments in the mortgage finance and credit markets has adversely affected ResCap s business, liquidity, and its capital position and has raised substantial doubt about ResCap s ability to continue as a going concern.

ResCap has been adversely affected by the events and conditions in the broader mortgage banking industry, most severely but not limited to the domestic nonprime and nonconforming and international mortgage loan markets. Fair market valuations of held-for-sale mortgage loans, MSRs, and securitized interests that continue to be held by ResCap and other assets and liabilities ResCap records at fair value may continue to deteriorate if there continues to be weakness in housing prices, increasing mortgage rates, or increased severity of delinquencies and defaults of mortgage loans. These deteriorating factors previously resulted in higher provision for loan losses on ResCap s held-for-investment mortgage loans and real estate-lending portfolios. As a direct result of these events and conditions, ResCap discontinued new originations in all of its international operations and sold its U.K. and European operations and currently generally only purchases or originates mortgage loans that can be sold in the form of securitizations guaranteed by the GSEs. If the GSEs became unable or unwilling to purchase mortgage loans from ResCap, it would have a materially adverse impact on ResCap s funding and liquidity and on its ability to originate or purchase new mortgage loans.

ResCap is highly leveraged relative to its cash flow and has previously recognized substantial losses resulting in a significant deterioration in capital. There continues to be a risk that ResCap will not be able to meet its debt service obligations, will default on its financial debt covenants due to insufficient capital or liquidity, and/or be in a negative liquidity position in 2011 or beyond. ResCap remains heavily dependent on Ally for funding and capital support, and there can be no assurance that Ally will continue to provide such support.

In light of ResCap s liquidity and capital needs combined with volatile conditions in the marketplace, there is substantial doubt about ResCap s ability to continue as a going concern. If Ally determines to no longer support ResCap s capital or liquidity needs or if ResCap or Ally are unable to successfully execute effective initiatives, it could have a material adverse effect on ResCap s business, results of operations, and financial position.

There is a significant risk that ResCap will not be able to meet its debt service obligations and other funding obligations in the near term.

ResCap expects its liquidity pressures to continue in 2011. ResCap is highly leveraged relative to its cash flow. At December 31, 2010, ResCap s unrestricted liquidity (cash readily available to cover operating demands from across its business operations) totaled $444 million with cash and cash equivalents totaling $672 million.

ResCap expects that additional and continuing liquidity pressure, which is difficult to forecast with precision, will result from the obligation of its subsidiaries to advance delinquent principal, interest, property taxes, casualty insurance premiums, home equity line advances, and certain other amounts with respect to mortgage loans its subsidiaries service that become delinquent. In addition, ResCap continues to be subject to

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financial covenants requiring it to maintain minimum consolidated tangible net worth and consolidated liquidity balances. ResCap will attempt to meet these and other liquidity and capital demands through a combination of cash flow from operations and financings, potential asset sales, and other various alternatives. To the extent these sources prove insufficient, ResCap will be dependent on continued support from Ally to the extent Ally agrees to provide such support. Ally currently provides funding and capital support to ResCap through various facilities, including a $500 million unsecured line of credit. The sufficiency of these sources of additional liquidity cannot be assured, and any asset sales, even if they raise sufficient cash to meet ResCap s liquidity needs, may adversely affect its overall profitability and financial condition.

Moreover, even if ResCap is successful in implementing all of the actions described above, its ability to satisfy its liquidity needs and comply with any covenants included in its debt agreements requiring maintenance of minimum cash balances may be affected by additional factors and events (such as interest rate fluctuations and margin calls) that increase ResCap s cash needs making ResCap unable to independently satisfy its near term liquidity requirements.

We have extensive financing and hedging arrangements with ResCap, which could be at risk of nonpayment if ResCap were to file for bankruptcy.

We have secured financing arrangements and secured hedging agreements in place with ResCap. At September 30, 2011, we had $1.9 billion in secured financing arrangements with ResCap, of which $1.2 billion in loans was utilized. At September 30, 2011, the hedging arrangements were fully collateralized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, will be subject to bankruptcy proceedings and regulations, or ResCap may be unable to repay its financing facilities. 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. In addition, 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. We may also find it advantageous to provide debtor-in-possession financing to ResCap in a bankruptcy proceeding in order to preserve the value of the collateral ResCap has pledged to us. In addition, should ResCap file for bankruptcy, our investment related to ResCap s equity position would likely be reduced to zero, and creditors of ResCap may attempt to assert claims directly against us for payment of their obligations.

Certain of our mortgage subsidiaries have been, and will likely continue to be, required to repurchase mortgage loans for losses, indemnify the investor for incurred losses, or make the investor whole related to breaches of representations and warranties made in connection with the sale of loans, and face potential legal liability resulting from claims related to the sale of MBS.

When our Mortgage Companies sell mortgage loans through whole-loan sales or securitizations, these entities are required to make customary representations and warranties about the loans to the purchaser and/or securitization trust. These representations and warranties relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation, and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Breaches of these representations and warranties have resulted in a requirement that the applicable Mortgage Companies repurchase mortgage loans, indemnify the investor for incurred losses, or make the investor whole. As the mortgage industry continues to experience higher repurchase demands and additional parties begin to attempt to put back loans, a significant increase in activity beyond that experienced today could occur, resulting in additional future losses at our Mortgage Companies. At September 30, 2011, our reserve for representation and warranty obligations was $829 million. It is difficult to determine the accuracy of our estimates and assumptions used to determine such reserve. For example, if the law were to develop that disagrees with our interpretation that a claimant must prove that the alleged breach of representations and warranties was

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causally related to the alleged adverse effect on the interest of the claimant, it could significantly impact our determination of the reserve. In addition, if recent court rulings related to monoline litigation that have allowed sampling of loan files instead of a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative to a loan-by-loan review. As a result of these and other developments, the actual experience at our Mortgage Companies may differ materially from these estimates and assumptions. Refer to Note 24 to the Condensed Consolidated Financial Statements for further details.

Further, claims related to private-label MBS have been brought under federal and state securities laws and contract laws (among other theories), and additional similar claims are likely to be brought in the future. Several securities law cases have been brought by various third-party investors relating to MBS, where such investors have alleged misstatements and omissions in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. In addition, there are two cases pending where MBIA Insurance Corp. (MBIA), a monoline bond insurance company, has alleged, among other things, that two of our Mortgage Companies breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. MBIA further alleges that such entities failed to follow certain remedy procedures set forth in the contracts and improperly serviced the mortgage loans. Along with claims of breach of contract, MBIA also alleges fraud. In addition, there are three cases where Financial Guaranty Insurance Company (FGIC) has alleged, among other things, that our subsidiaries breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that our subsidiaries breached contractual obligations to permit access to loan files and certain books and records. Along with claims of breach of contract, FGIC also alleges fraud in one of the three cases. We expect our Mortgage Companies to receive additional repurchase demands from MBIA and FGIC, the amount of which could be substantial. In addition, litigation from other monoline bond insurance companies is likely. Third-party investors may also bring contractual representation and warranties claims against us. Refer to Business Legal Proceedings for further details with respect to existing litigation.

Certain of our mortgage subsidiaries received subpoenas in July 2010 from the Federal Housing Finance Agency (the FHFA), which is the conservator of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private label securities subsequent to the settlement, they may well do so in the future. FHFA has commenced securities and related common law fraud litigation with respect to certain of Freddie Mac s private label securities investments. Refer to the section of this prospectus entitled Legal Proceedings for additional information.

We believe it is reasonably possible that losses at our Mortgage Companies beyond amounts currently reserved for the matters described above could occur, and such losses could have a material adverse impact on our results of operations, financial position or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above reserves that have been established.

Changes in existing U.S. government-sponsored mortgage programs, restrictions on our access to such programs, or disruptions in the secondary markets in the United States or in other countries in which we operate could adversely affect our profitability and financial condition.

Our ability to generate revenue through mortgage loan sales to institutional investors in the United States depends to a significant degree on programs administered by the GSEs and others that facilitate the issuance of mortgage-backed securities in the secondary market. These GSEs play a powerful role in the residential mortgage industry and we have significant business relationships with them. Proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which

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these GSEs conduct their business to require them to register their stock with the U.S. Securities and Exchange Commission to reduce or limit certain business benefits that they receive from the U.S. government and to limit the size of the mortgage loan portfolios that they may hold. Furthermore, the Obama administration recently released a report that recommended winding down Fannie Mae and Freddie Mac. We do not know what impact, if any, the report would have on the future of the GSEs. In addition, the GSEs themselves have been negatively affected by recent mortgage market conditions, including conditions that have threatened their access to debt financing. Any discontinuation of, or significant reduction in, the operation of these GSEs could adversely affect our revenues and profitability. Also, any significant adverse change in the level of activity in the secondary market including declines in institutional investors desire to invest in our mortgage products could materially adversely affect our business.

We are exposed to consumer credit risk, which could adversely affect our profitability and financial condition.

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. For example, the continued decline in the domestic housing market and the increase in unemployment rates resulted in an increase in delinquency rates related to mortgage loans that ResCap and Ally Bank either hold or retain an interest in. Furthermore, a weak economic environment, high unemployment rates, and the continued deterioration of the housing market could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. In addition, we have begun to increase our used automobile and nonprime automobile financing (nonprime automobile financing). We define nonprime consumer automobile loans as those loans with a FICO score (or an equivalent score) at origination of less than 620. At September 30, 2011, the carrying value of our North American Automotive Finance Operations (NAO) nonprime consumer automobile loans before allowance for loan losses was $3.6 billion, or approximately 7.1% of our total NAO consumer automobile loans. Of these loans, $49 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Our International Automotive Finance Operations (IO) also has exposure to loans of higher credit risk with similar characteristics to those of the nonprime loans held by NAO. However, the lack of a consistent external third-party provider of consumer credit score information (like FICO in the United States and Canada) across the international geographies where we operate requires us to use our own internally-developed credit scoring approach to create a similar international comparative. Based on this internal analysis we believe nonprime loans represent less than 10% of our total IO consumer automobile loans and of these loans, less than 5% were considered nonperforming. As we grow our automotive asset portfolio in nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

General business and economic conditions may significantly and adversely affect our revenues, profitability, and financial condition.

Our business and earnings are sensitive to general business and economic conditions in the United States and in the markets in which we operate outside the United States. A downturn in economic conditions resulting in increased short and long term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing and mortgage products and increase mortgage and financing delinquency and losses on our customer and dealer financing operations. We have been negatively affected due to the recent significant stress in the residential real estate and related capital markets and, in particular, the lack of home price appreciation in many markets in which we lend. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our automotive finance business.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States or our markets outside the United States were to weaken, or if home prices or new and used vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for our mortgage loans and new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment mortgages and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans (especially our nonprime mortgage loans) as experienced recently could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm our ability to sell our mortgage and new and used vehicle loans, the prices we receive for our mortgage and new and used vehicle loans, or the value of our portfolio of mortgage and new and used vehicle loans held-for-investment or interests from our securitizations, which could harm our revenues, profitability, and financial condition. Continued adverse business and economic conditions could affect demand for housing, new and used vehicles, the cost of construction, and other related factors that could harm the revenues and profitability of our business.

In addition, our business and earnings are significantly affected by the fiscal and monetary policies of the U.S. government and its agencies and similar governmental authorities in the markets in which we operate outside the United States. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. The FRB s policies influence the new and used vehicle financing market and the size of the mortgage origination market, which significantly affects the earnings of our businesses and the earnings of our business capital activities. The FRB s policies also influence the yield on our interest earning assets and the cost of our interest-bearing liabilities. Changes in those policies are beyond our control and difficult to predict and could adversely affect our revenues, profitability, and financial condition.

The recent downgrade of the U.S. government s sovereign credit rating by Standard & Poor s Ratings Services, and any future rating agency action with respect to the U.S. government s sovereign credit rating, could have a material adverse impact on us. Further, the current debt crisis in Europe, and the risk that certain countries may default on their sovereign debt, and the resulting impact on the financial markets, could have a material adverse impact on our business, results of operations and financial position.

On August 2, 2011, Moody s confirmed the U.S. government s existing sovereign rating, but stated that the rating outlook is negative, and also on August 2, 2011, Fitch affirmed its existing sovereign rating of the U.S. government, but stated that the U.S. government s rating is under review. On August 5, 2011, Standard & Poor s Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA , and the outlook on its long-term rating is negative. This downgrade, any future downgrades, as well as the perceived creditworthiness of U.S. government-related obligations, could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. We cannot predict how this or any further downgrades to the U.S. government s sovereign credit rating, or its perceived creditworthiness, will impact economic or capital markets conditions generally. It is possible that any such impact could have a material adverse effect on our business, results of operation, and financial position.

In addition, the current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. These conditions have adversely impacted financial markets and have created substantial volatility and uncertainty, and will likely

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continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

Acts or threats of terrorism and political or military actions taken by the United States or other governments could adversely affect general economic or industry conditions.

Geopolitical conditions may affect our earnings. Acts or threats of terrorism and political or military actions taken by the United States or other governments in response to terrorism, or similar activity, could adversely affect general economic or industry conditions.

Treasury (or its designee) will continue to own a substantial interest in us following this offering, and its interests may differ from those of our other stockholders.

Immediately following this offering, and the concurrent transactions described under Concurrent Transactions, Treasury will own approximately % of our outstanding shares of common stock (% if the underwriters in the offering of common stock and the underwriters in the concurrent offering of Units exercise their over-allotment options in full), assuming the common stock public offering price is the midpoint of the price range set forth on the cover of this prospectus, and Treasury will own approximately % of the outstanding Units (% if the underwriters in the concurrent offering of Units exercise their over-allotment options in full). Pursuant to the Amended and Restated Governance Agreement dated May 21, 2009, as of the date hereof, Treasury also has the right to appoint six of the eleven members to our board of directors. As a result of this stock ownership interest and Treasury s right to appoint six directors to our board of directors, Treasury has the ability to exert control, through its power to vote for the election of our directors, over various matters. To the extent Treasury elects to exert such control over us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

- The selection, tenure and compensation of our management;
- Our business strategy and product offerings;
- Our relationship with our employees and other constituencies; and
- Our financing activities, including the issuance of debt and equity securities.

In particular, Treasury may have a greater interest in promoting U.S. economic growth and jobs than our other stockholders. In the future we may also become subject to new and additional laws and government regulations regarding various aspects of our business as a result of participation in the TARP program and the U.S. government s ownership in our business. These regulations could make it more difficult for us to compete with other companies that are not subject to similar regulations.

The limitations on compensation imposed on us due to our participation in TARP, including the restrictions placed on our compensation by the Special Master for TARP Executive Compensation, may adversely affect our ability to retain and motivate our executives and employees.

Our performance is dependent on the talent and efforts of our management team and employees. As a result of our participation in TARP, the compensation of certain members of our management team and employees is subject to extensive restrictions under the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (the ARRA), which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009 (the IFR). In addition, due to our level of participation in TARP, pursuant to ARRA and the IFR, the Office of the Special Master for TARP Executive Compensation has the authority to further regulate our compensation arrangements with certain

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of our executives and employees. In addition, we may become subject to further restrictions under any other future legislation or regulation limiting executive compensation. Many of the restrictions are not limited to our senior executives and affect other employees whose contributions to revenue and performance may be significant. These limitations may leave us unable to create a compensation structure that permits us to retain and motivate certain of our executives and employees or to attract new executives or employees, especially if we are competing against institutions that are not subject to the same restrictions. Any such inability could have a material and adverse effect on our business, financial condition, and results of operations.

Our borrowing costs and access to the unsecured debt capital markets depend significantly on our credit ratings.

The cost and availability of unsecured financing are materially affected by our short- and long-term credit ratings. Each of Standard & Poor s Rating Services; Moody s Investors Service, Inc.; Fitch, Inc.; and Dominion Bond Rating Service rates our debt. Our current ratings as assigned by each of the respective rating agencies are below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements as well as impact elements of certain existing secured borrowing arrangements.

Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency s rating should be evaluated independently of any other agency s rating.

Our profitability and financial condition could be materially and adversely affected if the residual value of off-lease vehicles decrease in the future.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off lease and other vehicles to be sold, new vehicle market prices, perceived vehicle quality, overall price and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices and thus the actual residual value of off lease vehicles. Consumer confidence levels and the strength of auto manufacturers and dealers can also influence the used vehicle market. For example, during 2008, sharp declines in demand and used vehicle sale prices adversely affected Ally s remarketing proceeds and financial results.

Vehicle brand images, consumer preference, and vehicle manufacturer marketing programs that influence new and used vehicle markets also influence lease residual values. In addition, our ability to efficiently process and effectively market off lease vehicles affects the disposal costs and proceeds realized from the vehicle sales. While manufacturers, at times, may provide support for lease residual values including through residual support programs, this support does not in all cases entitle us to full reimbursement for the difference between the remarketing sales proceeds for off lease vehicles and the residual value specified in the lease contract. Differences between the actual residual values realized on leased vehicles and our expectations of such values at contract inception could have a negative impact on our profitability and financial condition.

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Current conditions in the residential mortgage market and housing markets may continue to adversely affect Ally s mortgage business.

The residential mortgage market in the United States and other international markets in which our Mortgage operations conduct, or previously conducted, business have experienced a variety of difficulties and changed economic conditions that adversely affected our mortgage business results of operations and financial condition. Delinquencies and losses with respect to our Legacy Portfolio and Other segment s nonprime mortgage loans increased significantly. Housing prices in many parts of the United States, the United Kingdom, and other international markets also declined or stopped appreciating after extended periods of significant appreciation. In addition, the liquidity provided to the mortgage sector had been significantly reduced. This liquidity reduction combined with our decision to reduce our mortgage business exposure to the nonprime mortgage market caused its nonprime mortgage production to decline. Similar trends have emerged beyond the nonprime sector, especially at the lower end of the prime credit quality scale, and have had a similar effect on our mortgage business related liquidity needs and businesses. These trends have resulted in significant write-downs to our Legacy Portfolio and Other s held-for-sale mortgage loans and trading securities portfolios and additions to its allowance for loan losses for its held-for-investment mortgage loans and warehouse-lending receivables portfolios. A continuation of these conditions may continue to adversely affect our mortgage business financial condition and results of operations.

Moreover, the continued deterioration of the U.S. housing market and decline in home prices since 2008 in many U.S. markets, which may continue for the near term, could result in increased delinquencies or defaults on the mortgage assets ResCap owns and services as well as those mortgage assets owned by Ally Bank. Further, loans that our Mortgage operations historically made based on limited credit or income documentation also increase the likelihood of future increases in delinquencies or defaults on mortgage loans. An increase in delinquencies or defaults will result in a higher level of credit losses and credit-related expenses and increased liquidity requirements to fund servicing advances, all of which in turn will reduce revenues and profits of our mortgage business. Higher credit losses and credit-related expenses also could adversely affect our financial condition.

Our lending volume is generally related to the rate of growth in U.S. residential mortgage debt outstanding and the size of the U.S. residential mortgage market. Recently, the rate of growth in total U.S. residential mortgage debt outstanding has slowed sharply in response to the reduced activity in the housing market and national declines in home prices. In addition, most of our mortgage business is currently conducted through the correspondent channel, which relies heavily on the mortgage refinancing business. The volume of mortgage refinancing experienced a significant increase in 2009 and 2010 due to interest rate decreases, but we expect it will experience a significant decrease in 2011 as interest rates increase. A decline in the rate of growth in mortgage debt outstanding reduces the number of mortgage loans available for us to purchase or securitize, which in turn could lead to a reduction in our revenue, profits, and business prospects.

Our earnings may decrease because of increases or decreases in interest rates.

Changes in interest rates could have an adverse impact on our business. For example:

- rising interest rates will increase our cost of funds;
- rising interest rates may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;
- rising interest rates may negatively impact our ability to remarket off lease vehicles;
- rising interest rates generally reduce our residential mortgage loan production as borrowers become less likely to refinance and the costs associated with acquiring a new home become more expensive; and
- rising interest rates will generally reduce the value of mortgage and automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

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We are also subject to risks from decreasing interest rates. For example, a significant decrease in interest rates could increase the rate at which mortgages are prepaid, which could require us to write down the value of our retained interests and MSRs. Moreover, if prepayments are greater than expected, the cash we receive over the life of our held-for-investment mortgage loans and our retained interests would be reduced. Higher-than-expected prepayments could also reduce the value of our MSRs and, to the extent the borrower does not refinance with us, the size of our servicing portfolio. Therefore, any such changes in interest rates could harm our revenues, profitability, and financial condition.

Throughout 2009 and 2010 the credit risk embedded in the balance sheet was reduced as a result of asset sales, asset markdowns, and a change in the mix of our loan assets as the legacy portfolios were replaced with assets underwritten to tighter credit standards. This reduction in risk has resulted in a mix of assets outstanding on the balance sheet as of September 30, 2011 with a lower yielding profile than the prior year period. During this same period of time we experienced a significant decline in our consumer automotive operating lease portfolio that was realizing higher yields from remarketing gains due to historically high used vehicle prices. The combination of the above factors resulted in a decline in asset yields more than the decline in liability rates, and therefore the decline in the net interest spread on the balance sheet throughout 2010 and into 2011.

Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates and could affect our profitability and financial condition as could our failure to comply with hedge accounting principles and interpretations.

We employ various economic hedging strategies to mitigate the interest rate and prepayment risk inherent in many of our assets and liabilities. Our hedging strategies rely on assumptions and projections regarding our assets, liabilities, and general market factors. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates or prepayment speeds, we may experience volatility in our earnings that could adversely affect our profitability and financial condition. In addition, we may not be able to find market participants that are willing to act as our hedging counterparties, which could have an adverse effect on the success of our hedging strategies.

In addition, hedge accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the application of significant subjective judgments to a body of accounting concepts that is complex and for which the interpretations have continued to evolve within the accounting profession and among the standard-setting bodies.

A failure of or interruption in, as well as, security risks of the communications and information systems on which we rely to conduct our business could adversely affect our revenues and profitability.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, or external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing. In addition, our communication and information systems may present security risks, and could be susceptible to hacking or identity theft. The occurrence of any of these events could have a material adverse effect on our business.

We use estimates and assumptions in determining the fair value of certain of our assets in determining lease residual values and in determining our reserves for insurance losses and loss adjustment expenses. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be materially and adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment and held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, MSRs, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual

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values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for insurance losses and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates. It is difficult to determine the accuracy of our estimates and assumptions, and our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

Our business outside the United States exposes us to additional risks that may cause our revenues and profitability to decline.

We conduct a significant portion of our business outside the United States exposing us to risks such as the following:

- multiple foreign regulatory requirements that are subject to change;
- differing local product preferences and product requirements;
- fluctuations in foreign interest rates;
- difficulty in establishing, staffing, and managing foreign operations;
- differing labor regulations;
- consequences from changes in tax laws;
- restrictions on our ability to repatriate profits or transfer cash into or out of foreign countries; and
- political and economic instability, natural calamities, war and terrorism.

The effects of these risks may, individually or in the aggregate, adversely affect our revenues and profitability.

Our business could be adversely affected by changes in foreign-currency exchange rates.

We are exposed to risks related to the effects of changes in foreign-currency exchange rates. Changes in currency exchange rates can have a significant impact on our earnings from international operations as a result of foreign-currency-translation adjustments. While we carefully monitor and attempt to manage our exposure to fluctuation in currency exchange rates through foreign-currency hedging activities, these types of changes could have a material adverse effect on our business, results of operations, and financial condition.

Fluctuations in valuation of investment securities or significant fluctuations in investment market prices could negatively affect revenues.

Investment market prices in general are subject to fluctuation. Consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value that could negatively affect our revenues. Additionally, negative fluctuations in the value of available for sale investment securities could result in unrealized losses recorded in equity. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments, national and international events, and general market conditions.

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Significant indemnification payments or contract, lease, or loan repurchase activity of retail contracts or leases or mortgage loans could harm our profitability and financial condition.

We have repurchase obligations in our capacity as servicer in securitizations and whole-loan sales. If a servicer breaches a representation, warranty, or servicing covenant with respect to an automotive receivable or mortgage loan, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If the frequency at which repurchases of assets or other payments occurs increases substantially from its present rate, the result could be a material adverse effect on our financial condition, liquidity, and results of operations.

In connection with its servicing of securitized mortgage loans, ResCap is subject to contractual caps on the percentage of mortgage loans it is permitted to modify in any securitized pool. The financial crisis has resulted in dramatic increases in the volume of delinquent mortgage loans over the past three years. In an effort to achieve the best net present value recovery for the securitization trust, ResCap increased the volume of modifications of distressed mortgage loans to assist homeowners and avoid liquidating properties in a collapsing and opaque housing market. In certain securitization transactions, ResCap has exceeded the applicable contractual modification cap. The securitization documents provide that the contractual caps can be raised or eliminated with the concurrence of each rating agency rating the transaction. For certain transactions with respect to which loan modifications have exceeded the contractual caps, the rating agencies have concurred in raising or eliminating the caps, but they have not consented in connection with other such transactions. ResCap will continue to seek their concurrence in connection with other transactions as it deems appropriate and will suspend modifications in excess of applicable caps pending receipt of such consent or investor approval to amend the servicing contracts. An investor in a specific mortgage security class might claim that modifications in excess of the applicable cap amounted to a material failure of ResCap to perform its servicing obligations and that the investor was damaged as a result. Such claims, if successful, could have a material adverse effect on our financial condition, liquidity, and results of operations.

A loss of contractual servicing rights could have a material adverse effect on our financial condition, liquidity, and results of operations.

We are the servicer for all of the receivables we have acquired or originated and transferred to other parties in securitizations and whole-loan sales of automotive receivables. Our mortgage subsidiaries service the mortgage loans we have securitized, and we service the majority of the mortgage loans we have sold in whole-loan sales. In each case, we are paid a fee for our services, which fees in the aggregate constitute a substantial revenue stream for us. In each case, we are subject to the risk of termination under the circumstances specified in the applicable servicing provisions.

In most securitizations and whole-loan sales, the owner of the receivables or mortgage loans will be entitled to declare a servicer default and terminate the servicer upon the occurrence of specified events. These events typically include a bankruptcy of the servicer, a material failure by the servicer to perform its obligations, and a failure by the servicer to turn over funds on the required basis. The termination of these servicing rights, were it to occur, could have a material adverse effect on our financial condition, liquidity, and results of operations and those of our mortgage subsidiaries.

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) could adversely affect our reported revenues, profitability, and financial condition.

Our financial statements are subject to the application of GAAP, which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB and the SEC, banking regulators, and our independent registered public accounting firm. Those changes could adversely affect our reported revenues, profitability, or financial condition.

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Recently, the FASB has proposed new financial accounting standards, and has many active projects underway, that could materially affect our reported revenues, profitability, or financial condition. These proposed standards or projects include the potential for significant changes in the accounting for financial instruments (including loans, deposits, and debt) and the accounting for leases, among others. It is possible that any changes, if enacted, could adversely affect our reported revenues, profitability, or financial condition.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to different counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty.

Our inability to maintain relationships with dealers could have an adverse effect on our business, results of operations, and financial condition.

Our business depends on the continuation of our relationships with our customers, particularly the automotive dealers with whom we do business. If we are not able to maintain existing relationships with key automotive dealers or if we are not able to develop new relationships for any reason, including if we are not able to provide services on a timely basis or offer products that meet the needs of the dealers, our business, results of operations and financial condition could be adversely affected.

Adverse economic conditions or changes in laws in states in which we have customer concentrations may negatively affect our operating results and financial condition.

We are exposed to consumer loan portfolio concentration in California and Texas and consumer mortgage loan concentration in California, Florida, and Michigan. Factors adversely affecting the economies and applicable laws in these states could have an adverse effect on our business, results of operations and financial position.

Risks Related to this Offering and Ownership of Our Common Stock

The sale or availability for sale of substantial amounts of our common stock could cause our common stock price to decline or impair our ability to raise capital.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, or the settlement of the purchase contracts that are components of the Units being offered in the concurrent offering or the perception that settlement could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of equity and equity-related securities. Upon completion of this offering, there will be shares of common stock issued and outstanding, assuming the common stock public offering price is the midpoint of the price range set forth on the cover of this prospectus.

Of the outstanding shares of common stock, the shares of common stock to be sold in this offering (shares if the underwriters in this offering exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act, unless those shares are held by any of our affiliates, as that term is defined under Rule 144 of the Securities Act. Following the expiration of any applicable lock-up periods referred to in the section of this prospectus entitled Shares Eligible for Future Sale, the remaining outstanding shares of common stock may be eligible for resale under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. In addition, pursuant to Exhibit A of the Bylaws of Ally Financial Inc. (the Registration Rights Agreement), we have granted our existing common stockholders the right to require us in certain circumstances to file registration statements under the Securities Act covering additional resales of our common stock held by them and the right to participate in other registered offerings in certain circumstances. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, Treasury or GMAC Common Equity Trust I might sell a large number of the shares of our common stock that they hold. Such sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock.

The number of shares of our common stock Treasury will receive upon conversion of our Series F-2 preferred stock will depend upon the public offering price of the common stock in this offering.

Treasury currently holds 118,750,000 shares of our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the Series F-2 preferred stock), having an aggregate liquidation amount of $5,937,500,000. In connection with this offering and the concurrent Units offering, Treasury intends to convert 58,750,000 shares of Series F-2 preferred stock into shares of our common stock based on a conversion price equal to the common stock public offering price, which, based on the midpoint of the price range set forth on the cover of this prospectus, would result in the conversion of the Series F-2 preferred stock into shares of common stock. See Concurrent Transactions.

Accordingly, the number of shares of our common stock we will issue to Treasury in connection with the conversion will depend upon the common stock public offering price. For example, if the common stock public offering price is $ (the midpoint of the price range set forth on the cover of this prospectus), then we will issue shares of our common stock to Treasury upon conversion. By contrast, if the common stock public offering price were to increase by $1.00, then we will issue shares of our common stock to Treasury upon conversion and if the common stock public offering price were to decrease by $1.00, then we will issue shares of our common stock to Treasury upon conversion.

We have no current plans to pay dividends on our common stock, and our ability to pay dividends on our common stock may be limited.

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if 1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and 2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on our common stock, we may not have sufficient cash to pay dividends in cash on our common stock.

Any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status . There is no assurance that, upon the FRB s review of our future capital plans, we would be permitted to make any planned payments of dividends on our common stock.

Anti-takeover provisions contained in our organizational documents and Delaware law could delay or prevent a takeover attempt or change in control of our company, which could adversely affect the price of our common stock.

Our amended and restated certificate of incorporation, our amended and restated bylaws, and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our organizational documents include provisions:

- Limiting the liability of our directors, and providing indemnification to our directors and officers; and
- Limiting the ability of our stockholders to call and bring business before special meetings.

These provisions, alone or together, could delay hostile takeovers and changes in control of the company or changes in management.

In addition, after the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15% or more of a corporation s voting stock) for a period of three years following the time that such stockholder became an interested stockholder, except under certain circumstances including receipt of prior board approval.

Any provision of our Certificate of Incorporation or our Bylaws or Delaware law that has the effect of delaying or deterring a hostile takeover or change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

See Description of Capital Stock for a further discussion of these provisions.

Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile.

You should consider an investment in our common stock to be risky and you should invest in our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The price of our common stock after the closing of this offering may fluctuate widely, depending upon many factors, including, but not limited to:

- the perceived prospects for the auto finance and mortgage industries in general or for our company;
- differences between our actual financial and operating results and those expected by investors;
- changes in the share price of public companies with which we compete;
- news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;

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- changes in our capital structure, such as future issuances of securities, repurchases of our common stock or our incurrence of debt;
- changes in general economic or market conditions;
- broad market fluctuations;
- regulatory actions or changes in applicable laws, rules or regulations;
- unfavorable or lack of published research by securities or industry analysts; and
- departure of key personnel.

In addition, the market price of our common stock is likely to be influenced by the purchase contracts that are components of the Units being offered in the concurrent offering. For example, the market price of our common stock could become more volatile and could be depressed by investors anticipation of the potential resale in the market of a substantial number of additional shares of our common stock, including shares of common stock received upon settlement of the purchase contracts that are components of the Units being offered in the concurrent offering, possible sales of our common stock by investors who view the Units as a more attractive means of equity participation in us than owning shares of our common stock; and hedging or arbitrage trading activity that may develop involving the Units and our common stock.

Our common stock may trade at prices significantly below the initial public offering price. In addition, when the market price of a company s common equity drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Treasury, which is the selling stockholder, is a federal agency and your ability to bring a claim against Treasury under the federal securities laws may be limited.

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the FTCA), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. The underwriters are not claiming to be agents of Treasury in this offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation of the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with the offering of the common stock by Treasury would likely be barred.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and in other sections of this prospectus that may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words expect, anticipate, estimate, forecast, initiative, objective, plan, project, outlook, priorities, target, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this prospectus, including those under the caption Risk Factors. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward looking statement is made. Factors that could cause our actual results to be materially different from our expectations include, among others, the risk factors set forth herein under the caption Risk Factors, and the following:

- Maintaining the mutually beneficial relationship between the company and GM, and the company and Chrysler;
- The profitability and financial condition of GM and Chrysler;
- Securing low cost funding for us and ResCap;
- Our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to;
- Any impact resulting from delayed foreclosure sales or related matters;
- The potential for legal liability resulting from claims related to the sale of private-label mortgage-backed securities;
- Risks related to potential repurchase obligations due to alleged breaches of representations and warranties in mortgage securitization transactions;
- Changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate;
- Continued challenges in the residential mortgage markets;
- The continuing negative impact on ResCap and our mortgage business generally due to the recent decline in the U.S. housing market;
- Uncertainty of our ability to enter into transactions or execute strategic alternatives to realize the value of our ResCap operations;

The potential for deterioration in the residual value of off-lease vehicles;

Disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity;

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Changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;

Changes in the credit ratings of Ally, ResCap, Chrysler, or GM;

Changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and

Changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

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USE OF PROCEEDS

The selling stockholder is selling all of the shares of common stock in this offering and Ally will not receive any proceeds from the sale of the shares.

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DIVIDEND POLICY

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if (1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and (2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any plans to commence payment of dividends on our common stock in the future would, as announced by the FRB on March 18, 2011, with respect to the completion of its Comprehensive Capital Analysis and Review of the capital plans of the nineteen largest U.S. bank holding companies, including Ally, be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status .

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2011, actual and pro forma to reflect:

- the concurrent conversion and exchange by Treasury of our Series F-2 preferred stock and the concurrent offering by Treasury of our Units (assuming no exercise by the underwriters of that offering of their over-allotment option and that the public offering price of our common stock in this offering will be $ per share (the midpoint of the price range set forth on the cover of this prospectus) for purposes of calculating the number of shares we issue to Treasury in the conversion), in each case as described under Concurrent Transactions, and

- the -for-one stock split on shares of our common stock effected on , 2011.

This table should be read in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto appearing elsewhere in this prospectus.

	As of September 30, 2011	
	Actual	Pro forma
	($ in millions)	
Cash and cash equivalents	$ 16,402	$
Short-term borrowings	5,933	
Long-term debt (1)	90,546	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual and pro forma	1,021	
Series F-2 preferred stock, 118,750,000 shares issued and outstanding, actual and 0 shares issued and outstanding, pro forma (2)	5,685	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Tangible Equity Units, 0 units issued and outstanding, actual and units issued and outstanding, pro forma	0	
Common stock, $0.01 par value per share, 1,330,970 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital (2)	19,668	
Accumulated deficit (2)	(6,918)	
Accumulated other comprehensive income	42	
Total equity (2)	19,732	
Total capitalization	$ 116,211	$

(1) The amortizing notes which are a component of the Units are included in pro forma long-term debt.

(2) In connection with this offering and the concurrent Units offering, Treasury intends to convert (the conversion) 58,750,000 shares of Series F-2 preferred stock it holds into shares of our common stock based on a conversion price equal to the common stock public offering price. Because the conversion price in the conversion is based on the common stock public offering price, the number of shares of common stock we will issue to Treasury in connection with the conversion will depend on the common stock public offering price. The higher the common stock public offering price is, the fewer the number of shares of common stock Treasury will receive and the lower the common stock public offering price is, the greater the number of shares of common stock Treasury will receive. The following table sets forth the number of shares we will issue to Treasury in connection with the conversion for each common stock public offering price set forth below:

Public Offering Price	Number of Shares Issued to Treasury
$	
$	
$	
$	

In addition, we and Treasury intend to modify certain terms of the Series F-2 preferred stock so that Treasury will receive additional shares of our common stock in connection with the offering.

The issuance of these additional shares will be a one-time non-cash transaction, which will not affect the amount of our total equity. It will increase our accumulated deficit with an offsetting increase to common stock and paid-in capital, and the value of the non-cash dividend will reduce our net income attributable to common shareholders and therefore will substantially affect the calculation of earnings per share in the quarter in which this offering closes and the full year.

Assuming that the public offering price of our common stock in this offering will be $ per share (the midpoint of the range set forth on the cover of this prospectus), net income attributable to common stock will be reduced by $ in the quarter in which this offering closes and earnings per share will be reduced by $ per share due to this one time, non-cash transaction.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2010, 2009 and 2008 and the consolidated balance sheet data at December 31, 2010 and 2009 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2007 and 2006 and the consolidated balance sheet data at December 31, 2008, 2007 and 2006 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the nine months ended September 30, 2011 and 2010 and the condensed consolidated balance sheet data at September 30, 2011 and 2010 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the nine months ended September 30, 2011 are not necessarily indicative of those to be expected for the fiscal year.

	At and for the nine months ended September 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
				($ in millions)			
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 7,515	$ 8,785	$ 11,447	$ 13,100	$ 18,054	$ 21,761	$ 24,100
Interest expense	4,904	5,098	6,836	7,274	10,441	13,553	14,638
Depreciation expense on operating lease assets	773	1,636	2,030	3,748	5,478	4,551	5,055
Impairment of investment in operating leases					1,218		
Net financing revenue	1,838	2,051	2,581	2,078	917	3,657	4,407
Total other revenue (a)	2,787	3,943	5,321	4,417	15,271	6,161	7,860
Total net revenue	4,625	5,994	7,902	6,495	16,188	9,818	12,267
Provision for loan losses	213	371	442	5,604	3,102	3,037	1,948
Total other noninterest expense	4,241	4,676	6,281	7,850	8,349	8,203	8,457
Income (loss) from continuing operations before income tax (benefit) expense	171	947	1,179	(6,959)	4,737	(1,422)	1,862
Income tax (benefit) expense from continuing operations (b)	101	117	153	74	(136)	496	22
Net income (loss) from continuing operations	70	830	1,026	(7,033)	4,873	(1,918)	1,840
(Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Net income (loss)	$ 49	$ 996	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
				($ in millions, except per share data)			
Net income (loss) attributable to common shareholders							
Net income (loss) from continuing operations	$ 70	$ 830	$ 1,026	$ (7,033)	$ 4,873	$ (1,918)	$ 1,840
Less: Preferred stock dividends U.S. Department of Treasury	400	643	963	855			
Less: Preferred stock dividends	194	212	282	370		192	21
Less: Impact of conversion of preferred stock and related amendment			616(c)				
Less: Impact of preferred stock accretion to redemption value							274

Less: Impact of preferred stock amendment	(32)						
Net (loss) income from continuing operations attributable to common shareholders (a)	(492)	(25)	(835)	(8,258)	4,873	(2,110)	1,545
(Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Net (loss) income attributable to common shareholders	$ (513)	$ 141	$ (786)	$ (11,523)	$ 1,868	$ (2,524)	$ 1,830
Basic and diluted weighted-average common shares outstanding	1,330,970	799,120	800,597	529,392	108,884	101,331	8,620
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	$ (370)	(31)	$ (1,042)	$ (15,596)	$ 44,747	$ (20,825)	$ 179,229
(Loss) income from discontinued operations, net of tax	(16)	208	61	(6,169)	(27,595)	(4,086)	33,062
Net (loss) income	$ (386)	$ 177	$ (981)	$ (21,765)	$ 17,152	$ (24,911)	$ 212,291

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	At and for the nine months ended September 30, 2011	2010	At and for the year ended December 31, 2010	2009	2008	2007	2006
				($ in millions)			
Pro forma data (e):							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	$ 49	$ 996	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
Add: Original issue discount amortization expense (g)	825	999	1,300	1,143	70		
Add: Income tax (benefit) expense from continuing operations	101	117	153	74	(136)	496	22
Less: Gain on extinguishment of debt related to the 2008 bond exchange					11,460		
Less: (Loss) income from discontinued operations, net of tax	(21)	166	49	(3,265)	(3,005)	(414)	285
Core pretax income (loss) (f)	$ 996	$ 1,946	$ 2,479	$ (5,816)	$ (6,653)	$ (1,422)	$ 1,862
Selected balance sheet data (period end):							
Total assets	$ 181,956	$ 173,191	$ 172,008	$ 172,306	$ 189,476	$ 248,939	$ 291,971
Long-term debt	$ 90,546	$ 87,547	$ 86,612	$ 88,021	$ 115,935	$ 159,342	$ 193,387
Preferred stock/interests (d)	$ 6,940	$ 12,180	$ 6,972	$ 12,180	$ 6,287	$ 1,052	$
Total equity	$ 19,732	$ 20,977	$ 20,489	$ 20,839	$ 21,854	$ 15,565	$ 14,369
Financial ratios							
Efficiency ratio (h)	91.70%	78.01%	79.49%	120.86%	51.58%	83.55%	68.94%
Core efficiency ratio (h)	77.82%	66.87%	68.26%	102.78%	174.01%	83.55%	68.94%
Return on assets (i)							
Net income (loss) from continuing operations	0.05%	0.62%	0.58%	(3.95)%	2.57%	(0.77)%	0.63%
Net income (loss)	0.04%	0.74%	0.61%	(5.79)%	0.99%	(0.94)%	0.73%
Core pretax income (loss)	0.74%	1.45%	1.40%	(3.27)%	(3.51)%	(0.57)%	0.64%
Return on equity (i)							
Net income (loss) from continuing operations	0.46%	5.36%	4.95%	(29.00)%	22.30%	(12.32)%	12.81%
Net income (loss)	0.32%	6.41%	5.19%	(42.46)%	8.55%	(14.98)%	14.79%
Core pretax income (loss)	6.52%	12.56%	11.97%	(23.98)%	(30.44)%	(9.14)%	12.96%
Equity to assets (i)	11.37%	11.55%	11.72%	13.63%	11.53%	6.25%	4.92%
Net interest spread (i)(j)	1.04%	1.37%	1.23%	0.65%	(k)	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.87%	2.44%	2.29%	1.68%	(k)	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.57%	1.91%	1.79%	1.37%	(k)	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.24%	2.76%	2.63%	2.13%	(k)	(k)	(k)
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (m)	14.34%	15.36%	15.00%	14.15%	(k)	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	15.50%	16.81%	16.36%	15.55%	(k)	(k)	(k)
Tier 1 leverage (to adjusted average assets) (o)	11.61%	12.46%	13.05%	12.70%	(k)	(k)	(k)
Shareholders equity	$ 19,732	$ 20,977	$ 20,489	$ 20,839	(k)	(k)	(k)
Goodwill and certain other intangibles	(507)	(533)	(532)	(534)	(k)	(k)	(k)
Unrealized gains and other adjustments	(292)	(416)	(309)	(447)	(k)	(k)	(k)
Trust preferred securities	2,542	2,541	2,541	2,540	(k)	(k)	(k)

Tier 1 capital (m)	21,475	22,569	22,189	22,398	(k)	(k)	(k)
Preferred equity	(6,940)	(12,180)	(6,971)	(12,180)	(k)	(k)	(k)
Trust preferred securities	(2,542)	(2,541)	(2,541)	(2,540)	(k)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 11,993	$ 7,848	$ 12,677	$ 7,678	(k)	(k)	(k)
Risk-weighted assets (q)	$ 149,713	$ 146,973	$ 147,964	$ 158,314	(k)	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	8.01%	5.34%	8.57%	4.85%	(k)	(k)	(k)

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(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter. Total other revenue for 2006 includes realized capital gains of $1.1 billion primarily related to the rebalancing of our investment portfolio at our Insurance operations.

(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Effective November 28, 2006, we, along with certain of our U.S. subsidiaries, converted to LLCs and became pass-through entities for U.S. federal income tax purposes. Our conversion to an LLC resulted in a change in tax status and the elimination of a $791 million net deferred tax liability through income tax expense. Refer to Note 24 to the Consolidated Financial Statements for additional information regarding our changes in tax status.

(c) This amount relates to the conversion by Treasury of 110,000,000 shares of Series F-2 preferred stock into 531,850 shares of our common stock that occurred on December 30, 2010. Refer to Note 20 to the Consolidated Financial Statements for further detail.

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

(e) The pro forma financial information gives effect to this offering as if it has closed on January 1, 2010, and reflects (i) the receipt by Treasury of additional shares of common stock in connection with this offering, (ii) increased interest expense on the amortizing notes at an assumed interest rate of % (tax affected at the historical rates reflected in the financial statements for 2010 and the nine months ended September 30, 2011) and (iii) the elimination of dividends of $ on the Series F-2 preferred stock being converted into common stock and exchanged for Units in this offering. The pro forma financial information does not reflect the value of the additional shares received by Treasury that will be treated as a one-time, non-cash dividend of $ in the quarter in which this offering closes and the related reduction of $ per share in earnings per share.

(f) Core pretax income (loss) is not a financial measure defined by GAAP. We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including $50 million and $101 million of accelerated amortization that was reported as a loss on extinguishment of debt in the first nine months of 2011 Condensed Consolidated Statement of Income and fiscal year 2010 Consolidated Statement of Income, respectively.

(h) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.

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(i) The 2011, 2010 and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008, 2007, and 2006 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008, 2007, and 2006.

(j) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.

(k) Not applicable at December 31, 2008, 2007, and 2006, as we did not become a bank holding company until December 24, 2008.

(l) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

(m) Tier 1 capital generally consists of common equity, minority interests, qualifying preferred stock (including fixed rate cumulative preferred stock issued and sold to Treasury) and purchase contracts (including the purchase contracts that are components of the Units being offered in the concurrent offering) less goodwill and other adjustments.

(n) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

(o) Tier 1 leverage equals Tier 1 capital divided by adjusted average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

(p) We define Tier 1 common as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries, and qualifying trust preferred securities. However, the purchase contracts that are components of the Units being offered in the concurrent offering are not subtracted from Tier 1 capital to determine Tier 1 common. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(q) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $182 billion in assets. 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 BHC Act. 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, with $38.9 billion of deposits at September 30, 2011. Ally Bank s assets and operating results are divided between our Global Automotive Services and Mortgage operations based on its underlying business activities.

Our Business

Global Automotive Services

Our Global Automotive Services operations offer a wide range of financial services and insurance products to approximately 21,000 automotive dealers and their retail customers. We have deep dealer relationships that have been built over our 90-year history. Our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Ally in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our global platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

Our automotive financial services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance primarily covering dealers wholesale vehicle inventories in the United States and internationally. We are a leading provider of automobile vehicle service contracts with mechanical breakdown and maintenance coverages.

We have a longstanding relationship with GM and have developed strong relationships directly with GM-franchised dealers as well as gained extensive operating experience with GM-franchised dealers relative to other automotive finance companies. Since GM sold a majority interest in us in 2006, we have transformed ourselves to a market-driven independent automotive finance company. We continue to be a preferred financing provider to GM on incentivized retail loans. In May 2009, we became the preferred financing provider to Chrysler of incentivized retail loans and we have developed full product relationships, including wholesale financing for many of Chrysler s franchised dealers. We have further diversified our customer base by establishing agreements to become preferred financing providers with other manufacturers including Fiat (for North America), Spyker Cars N.V. (Saab), and Thor Industries (recreational vehicles) in 2010. Currently, a significant portion of our business is originated through GM- and Chrysler-franchised dealers and their customers.

As a result of the recessionary environment and disruption in the capital markets beginning in late 2008, we experienced significantly lower new asset originations in late 2008 and throughout 2009. Additionally, we recognized a $1.2 billion impairment on our automotive operating lease portfolio in 2008 as a result of significant declines in used vehicle prices and separately realized higher loan loss provisions on our nonprime automotive loan portfolio. As a result, we significantly curtailed our leasing and nonprime automotive loan originations in late 2008, which resulted in a reduction in the size of these existing portfolios during 2009 and 2010.

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During 2009 and much of 2010 our primary emphasis has been on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Ally however seeks to be an increasingly meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We intend to gradually increase volumes in lower credit tiers in 2011. We have also selectively re-entered the leasing market with a more targeted product approach since late 2009. Both of these business opportunities are expected to gradually benefit net interest margin through time by earning higher yields on our assets.

We would also expect net financing revenue to increase and gains on the sale of automotive loans to decrease as we fund a greater proportion of our business through Ally Bank and reduce the amount of whole-loan sales. Additionally, we expect operating lease remarketing gains to diminish as a result of declines in the size of the operating lease portfolio and changes in used vehicle prices. We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs. We also expect a greater amount of non-GM and Chrysler consumer applications from dealers as we have recently joined a new credit application network, DealerTrack, which provides access to a more expansive universe of dealers.

Our international automotive lending operations currently originates loans in 15 countries with a focus on operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC.

Our Insurance operations offer both consumer insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle service contracts and mechanical breakdown coverages and underwrite selected commercial insurance coverages in the United States and internationally, primarily covering dealers wholesale vehicle inventory as well as personal automobile insurance in certain countries outside of the United States. In 2010, we sold our U.S. personal automotive insurance and certain international insurance operations in order to focus on products that support automotive dealers.

Mortgage

We report our Mortgage operations as two distinct segments: (1) Origination and Servicing operations and (2) Legacy Portfolio and Other operations.

Our Origination and Servicing operations is one of the leading originators of conforming and government-insured residential mortgage loans in the United States. We also originate and purchase high-quality government-insured residential mortgage loans in Canada. We are one of the largest residential mortgage loan servicers in the United States, and we provide collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. We finance our mortgage loan originations primarily in Ally Bank in the United States and in ResMor Trust in Canada. We sell the conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by Fannie Mae or Freddie Mac, and we sell government-insured mortgage loans we originate or purchase in securitizations guaranteed by the Government National Mortgage Association (Ginnie Mae) in the United States and sell the insured mortgages we originate in Canada as National Housing Act Mortgage-Backed Securities (NHA-MBS) issued under the Canada Mortgage and Housing Corporation s NHA-MBS program or through whole-loan sales. We also selectively originate prime jumbo mortgage loans in the United States.

Our Legacy Portfolio and Other operations primarily consist of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, include, among other things: lending to real estate developers and homebuilders in the United States and the United Kingdom; purchasing, selling and

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securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally; and certain conforming origination channels closed in 2008 and our mortgage reinsurance business.

We recently re-aligned our business model to focus on our Origination and Servicing operations in response to market developments and based on our strategic review of the mortgage business during 2009 and 2010. We have substantially eliminated nonconforming U.S. and international loan production (with the exception of U.S. prime jumbo mortgage loans) and have focused primarily on correspondent, direct, and warehouse-lending channels as opposed to high cost retail branch offices. On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel. See Note 25 to the Condensed Consolidated Financial Statements for additional information. Our origination platforms deliver products that have liquid market distribution and sales outlets and are structured to respond quickly as market conditions change. We have also consolidated our servicing operations to streamline our costs and align ourselves to capture future opportunities as mortgage servicing markets reform.

Additionally, we have implemented several strategic initiatives to reduce the risk related to our Legacy Portfolio and Other operations. These actions have included, but are not limited to, restructuring of ResCap debt in 2008, moving mortgage loans held-for-investment to held-for sale in 2009 while recording appropriate market value adjustments, the sale of legacy business platforms including our international operations in the United Kingdom and continental Europe, and other targeted asset dispositions including domestic and international mortgage loans and commercial finance receivables and loans. The consolidated assets of our Legacy Portfolio and Other operations have decreased to $10.8 billion at September 30, 2011, from $32.9 billion at December 31, 2008, due to these actions.

Mortgage loan origination volume is driven by the volume of home sales and prevailing interest rates. Our mortgage origination volume in 2010 was primarily driven by refinancings that were influenced by historically low interest rates. Refinancing originations are expected to decline in 2011 as a result of projected rising interest rates. Our focus in 2011 and future periods will be on sustaining our position as a leading originator and servicer of conforming and government-insured residential mortgage loans with limited expansion of our balance sheet while using agency securitizations to provide liquidity and continuing to align our origination and servicing platforms to take advantage of mortgage market reforms as they occur.

Corporate and Other

Corporate and Other includes our Commercial Finance Group, certain equity investments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, as well as the residual impacts of our corporate funds-transfer-pricing (FTP) and treasury asset liability management (ALM) activities. Refer to the section of this prospectus titled *Critical Accounting Estimates Private Debt Exchange and Cash Tender Offers* for additional information on the December 2008 bond exchange.

Loss from continuing operations before income tax expense for Corporate and Other was $1.5 billion, $2.6 billion and $2.5 billion for the nine months ended September 30, 2011 and the years ended December 31, 2010 and 2009, respectively. These losses were primarily driven by net financing losses of $1.4 billion, $2.1 billion and $2.5 billion for the nine months ended September 30, 2011 and the years ended December 31, 2010 and 2009, respectively. The net financing losses at Corporate and Other are largely driven by the amortization of original issue discount, primarily related to our 2008 bond exchange, and the net financing loss that results from our FTP methodology.

The net financing revenue of our Global Automotive Services and Mortgage operations includes the results of a FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Global Automotive Services and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise,

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including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components is used to allocate equity to these operations.

The negative residual impact of our FTP methodology that is realized in Corporate and Other primarily represents the cost of certain funding and liquidity management activities not allocated through our FTP methodology. Most notably, the net interest expense of maintaining our liquidity and investment portfolios, the value of which was approximately $24.5 billion at September 30, 2011, is maintained in Corporate and Other and not allocated to the businesses through our FTP methodology. In addition, other unassigned funding costs, including the results of our ALM activities, are also not allocated to the businesses.

The following tables summarize the components of net financing losses for Corporate and Other reflecting bond exchange and conversion to a bank holding company in December 2008.

	Nine months ended September 30,	
($ in millions)	**2011**	**2010**
Original issue discount amortization (a)	$ (784)	$ (901)
Net impact of the FTP methodology		
Cost of carry on the cash and investment portfolio	(449)	(422)
ALM/FTP cost of funds mismatch	(245)	(207)
Net other unallocated interest income (costs)	40	(123)
Total net impact of the FTP methodology	(654)	(752)
Other (including Commercial Finance Group net financing revenue)	79	98
Total net financing losses for Corporate and Other	$ (1,359)	$ (1,555)

(a) The original issue discount associated with our 2008 bond exchange and cash tender offers in 2008 was $753 million during the nine months ended September 30, 2011, compared to $867 million during the same period in 2010. The remaining amount is attributable to new debt issuance discount amortization.

	Year ended December 31,	
	2010	**2009**
	($ in millions)	
Original issue discount amortization (a)	$ (1,204)	$ (1,143)
Net impact of the FTP methodology		
Cost of carry on the cash and investment portfolio	(504)	(543)
ALM / FTP cost of funds mismatch	(366)	(600)
Other unallocated interest costs	(130)	(294)
Total net impact of the FTP methodology	(1,000)	(1,437)
Commercial Finance Group net financing revenue and other	105	119
Total net financing losses for Corporate and Other	$ (2,099)	$ (2,461)

(a) The original issue discount associated with our 2008 bond exchange and cash tender offers in 2008 was $1,158 million and $1,108 million during the year ended December 31, 2010 and 2009, respectively.

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The following table presents the amortization of the original issue discount.

	Year ended December 31, 2010	2009
	($ in millions)	
Original issue discount		
Outstanding balance	$ 3,169	$ 4,373
Total amortization (a)	1,204	1,143
2008 bond exchange amortization (b)	1,158	1,108

(a) Amortization is included as interest on long-term debt on the Consolidated Statement of Income.

(b) 2008 bond exchange amortization is included in total amortization.

The amortization of original issue discount will decline from what was recognized during 2010 and 2009. The following table presents the scheduled amortization of the original issue discount at September 30, 2011.

	Year ended December 31, 2011(a)	2012	2013	2014	2015	2016 and thereafter (a)	Total
				($ in millions)			
Original issue discount							
Outstanding balance	$ 2,193	$ 1,843	$ 1,580	$ 1,390	$ 1,334	$	
Total amortization (b)	141	350	264	190	56	1,333	$ 2,334
2008 bond exchange amortization (c)	133	320	241	166	43	1,178	2,081

(a) Represents the remaining future original issue discount amortization expense to be taken during 2011.

(b) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.

(c) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Income.

(d) 2008 bond exchange amortization is included in total amortization.

Ally Bank

Ally Bank, our direct banking platform, provides our automotive finance and mortgage loan operations with a stable and low-cost funding source and facilitates prudent asset growth. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through a direct banking channel via the internet and by telephone. We have become a leader in direct banking with our recognizable brand, accessible 24/7 customer service, and competitively priced products.

Ally Bank offers a full spectrum of deposit product offerings including certificates of deposits, savings accounts, money market accounts, and an online checking product. In addition, brokered deposits are obtained through third-party intermediaries. At September 30, 2011, Ally Bank had $38.9 billion of deposits, including $26.3 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $26.3 billion at September 30, 2011 has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

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Growth in retail deposits is key to further reducing our cost of funds and decreasing our reliance on the capital markets and other sources of funding. We believe deposits provide a more stable, lower-cost source of funds than other funding sources by being less sensitive to interest rate changes, market volatility or changes in our credit ratings. As we have been successful in establishing Ally Bank and increasing our retail deposit portfolio over the past two years, we have reduced offered rates on new retail deposits without offering any significant rate advantage against the broader market.

One of Ally Bank s objectives is to reduce its overall cost of funds and build a stable deposit base. We believe that pricing is a key lever to acquiring new accounts but does not alone assure growth of our deposit base. Rather, a combination of consistently competitive rates, effective marketing and a quality customer experience are all critical ingredients for successful growth. Ally Bank does not aim to price at the top of the market or to drive deposit pricing across the industry. However, it is our strategy to consistently price products competitively without including promotional pricing or teaser rates. Ally Bank s deposit strategy consistently prices below the top five institutions listed on Bankrate.com in various deposit products. We also independently monitor deposit rates across a significantly larger group of financial institutions and our deposit strategy is to price lower than national market leading levels.

We anticipate growth in lower rate products, including online savings and interest checking. As a result, our overall portfolio rate on deposits should become less sensitive to interest rate changes. Therefore, the impact on our profitability due to a higher interest rate environment would be mitigated to the extent we have continued growth in deposits. We believe deposits will continue to be one of the lowest cost funding options available to us. As such, we expect to continue to lower our cost of funds over time and diversify our overall funding as our deposit base grows.

Funding and Liquidity

Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all of our liquidity needs throughout different market cycles, including periods of financial distress. Prior to becoming a bank holding company, our funding largely came from the following sources.

- Public unsecured debt capital markets;
- Asset-backed securitizations, both public and private;
- Asset sales;
- Committed and uncommitted credit facilities; and
- Brokered and retail deposits

The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Ally, to the capital markets was significantly constrained and borrowing costs increased as a result. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After converting to a bank holding company in late 2008, we participated in several of the programs, including Temporary Liquidity Guaranty Program (TLGP), Term Auction Facility (TAF), Commercial Paper Funding Facility (CPFF), and Term Asset-Backed Securities Loan Facility (TALF). Our diversification strategy and participation in these programs helped us to maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue our lending and operating activities.

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During 2009, as part of our overall transformation from an independent financial services company to a bank holding company, we began to take actions to further diversify and develop more stable funding sources and, in particular, embark on initiatives to grow our consumer deposit-taking capabilities. In addition, we began distinguishing our liquidity management strategies between bank funding and nonbank funding.

Today, maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2010, deposit liabilities totaled $39.0 billion, which constituted 29% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2010, we issued $8.1 billion in secured funding backed by retail and dealer floorplan automotive loans of Ally Bank. While deposits provide for a more stable funding base, our efficiencies in securitizations and improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. For retail loans and leases, the primary reason why securitizations are an attractive funding source is that the term structure locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed funding for the life of the asset. Performance of the underlying assets will have no bearing on any incremental liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has similarly been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations notably to fund our automotive loan portfolios in Canada, Europe, and Latin America. Historically, the unsecured term debt markets were a key source of long-term financing for us. However, given our ratings profile and market environment, during the second half of 2007 and throughout 2008 and 2009 we chose not to target transactions in the unsecured term debt markets due to the expected high market rates and alternative funding sources. In 2010, we re-entered the unsecured long-term debt capital markets and issued over $8.0 billion of unsecured debt globally through several issuances. At December 31, 2010, we had $9.5 billion and $12.6 billion of unsecured long-term debt with maturities in 2011 and 2012, respectively. To fund these maturities, we will continue to follow this approach of being aggressive, yet opportunistic, in the unsecured debt markets to prefund upcoming debt maturities.

The strategies described above have resulted in us achieving and maintaining a conservative liquidity position. Total available liquidity at the parent company was $23.8 billion, and Ally Bank had $7.5 billion of available liquidity at December 31, 2010. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 100 basis points since becoming a bank holding company. Looking forward, as we seek to enhance our liquidity and capital position and improve credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

We are a full spectrum automotive finance lender with most of our automotive loan originations underwritten within the prime-lending markets and with a plan to prudently expand further into nonprime markets. Our Mortgage Origination and Servicing operations now primarily focus on selling conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by Fannie Mae or Freddie Mac and sells government-insured mortgage loans we originate or purchase in securitizations guaranteed by Ginnie Mae in the United States (collectively, the Government-sponsored Enterprises or GSEs).

During 2010, we noted significant improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and improvement in the overall economic environment. Risk initiatives undertaken included repositioning the loan portfolios from higher-risk, higher-yielding legacy assets to higher quality and lower risk assets. In addition, strategies were implemented to focus primarily on prime-lending markets, participation in mortgage loan modification programs, implementing tighter underwriting standards, and enhanced collection efforts. We discontinued and sold multiple nonstrategic operations, mainly in our international businesses, including our commercial construction portfolio. Within our Automotive Finance operations, we exited certain underperforming dealer relationships, curtailed leasing activities, and curtailed the origination of nonprime retail financings. Within our Mortgage operations, we reclassified certain legacy mortgage loans from held-for-investment to held-for-sale, which resulted in negative valuation adjustments.

During the year ended December 31, 2010, the credit performance of our portfolios improved overall as we benefited from lower frequency and severity of losses within our automotive portfolios and stabilization of asset quality trends within our mortgage portfolios. Nonperforming loans and charge-offs declined, and our provision for loan losses decreased from $5.6 billion in 2009 to $442 million in 2010.

We continue to see signs of economic stabilization in the housing and vehicle markets, although our total credit portfolio will continue to be affected by sustained levels of high unemployment and continued uncertainty in the housing market.

Representation and Warranty Obligations

We have made significant progress in mitigating repurchase reserve exposure through both settlements with key counterparties and continuing to maintain an appropriate reserve for representation and warranty obligations. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. We have also settled with several counterparties related to whole-loan sales. Our representation and warranty expense decreased to $670 million in 2010 from $1.5 billion in 2009. The repurchase reserve of $829 million at September 30, 2011, primarily represents exposure not related to the GSEs.

Outstanding claims during 2010 have remained relatively constant with GSE claim activity declining and monoline and other claims activity increasing. During the nine months ended September 30, 2011, we experienced a decrease in new claims compared to 2010, in part due to settlements with key counterparties. Typically, the obligations under representation and warranties provided to monolines and other whole-loan investors are not as comprehensive as those to the GSEs. As such, we believe a significant portion of these claims are ineligible for a repurchase.

Historically, our Mortgage operations were very active in the securitization market selling whole loans into special-purpose entities and selling these private-label mortgage-backed securities to investors. Our exposure related to these transactions is notably different from GSE exposure since representation and warranties are not as comprehensive, collateral is segregated into different programs based on risk, and many transactions include overcollateralization. While we believe it is reasonably possible that losses beyond amounts currently reserved for potential repurchase obligations and related claims (including related litigation) could occur, and such losses could be material, based on currently available information, we are unable to estimate a range of reasonably possible losses above reserves that have been established.

See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-balance Sheet Arrangements Purchase Obligations and Note 24 to the Condensed Consolidated Financial Statements for additional information related to our representation and warranty obligations and Business Legal Proceedings for additional information related to pending litigation.

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Bank Holding Company and Treasury s Investments

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a bank holding company to obtain access to capital at a lower cost to remain competitive in our markets. On December 24, 2008, Ally and IB Finance Holding Company, LLC, the holding company of Ally Bank, were each approved as bank holding companies under the Bank Holding Company Act of 1956. At the same time, Ally Bank converted from a Utah-chartered industrial bank into a Utah-chartered commercial nonmember bank. Ally Bank as an FDIC-insured depository institution, is subject to the supervision and examination of the FDIC and the Utah DFI. Ally Financial Inc. is subject to the supervision and examination of the FRB. We are required to comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards established by the FRB, and are subject to certain statutory restrictions concerning the types of assets or securities that we may own and the activities in which we may engage.

As one of the conditions to becoming a bank holding company, the FRB required several actions of Ally, including meeting a minimum amount of regulatory capital. In order to meet this requirement, Ally took several actions, the most significant of which were the execution of private debt exchanges and cash tender offers to purchase and/or exchange certain of our and our subsidiaries outstanding notes held by eligible holders for a combination of cash, newly issued notes of Ally, and in the case of certain of the offers, preferred stock. The transactions resulted in an extinguishment of all notes tendered or exchanged into the offers and the new notes and stock were recorded at fair value on the issue date. This resulted in a pretax gain on extinguishment of debt of $11.5 billion and a corresponding increase to our capital levels. The gain included a $5.4 billion original issue discount representing the difference between the face value and the fair value of the new notes and is being amortized as interest expense over the term of the new notes. In addition, Treasury made an initial investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP) with a $5.0 billion purchase of Ally perpetual preferred stock with a total liquidation preference of $5.25 billion (Perpetual Preferred Stock).

On May 21, 2009, Treasury made a second investment of $7.5 billion in exchange for Ally s mandatorily convertible preferred stock with a total liquidation preference of approximately $7.9 billion (the Old MCP), which included a $4 billion investment to support our agreement with Chrysler to provide automotive financing to Chrysler dealers and customers and a $3.5 billion investment related to the FRB s Supervisory Capital Assessment Program requirements. Shortly after this second investment, on May 29, 2009, Treasury acquired 35.36% of Ally common stock when it exercised its right to acquire 190,921 shares of Ally common stock from General Motors Corporation (GM) as repayment for an $884 million loan that Treasury had previously provided to GM.

On December 30, 2009, we entered into another series of transactions with Treasury under TARP, pursuant to which Treasury (i) converted 60 million shares of Old MCP (with a total liquidation preference of $3.0 billion) into 259,200 shares of additional Ally common stock; (ii) invested $1.25 billion in new Ally mandatorily convertible preferred stock with a total liquidation preference of approximately $1.3 billion (the Series F-2 preferred stock); and (iii) invested $2.54 billion in new trust preferred securities with a total liquidation preference of approximately $2.7 billion (the Trust Preferred Securities). At this time, Treasury also exchanged all of its Perpetual Preferred Stock and remaining Old MCP (following the conversion of Old MCP described above) into additional Series F-2 preferred stock.

On December 30, 2010, Treasury converted 110 million shares of Series F-2 preferred stock (with a total liquidation preference of approximately $5.5 billion) into 531,850 shares of additional Ally common stock. This action represented a critical step in our path to fully repay Treasury s investments. The conversion reduced dividends by approximately $500 million per year, assisted with capital preservation, and is expected to improve profitability with a lower cost of funds.

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

Following the transactions described above, Treasury currently holds 73.8% of Ally common stock and approximately $5.9 billion in aggregate liquidation preference amount of Series F-2 preferred stock. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Ally Board of Directors.

The following table summarizes the investments in Ally made by Treasury in 2008 and 2009.

	Investment type	Date	Cash investment	Warrants	Total
				($ in millions)	
TARP	Preferred equity	December 29, 2008	$ 5,000	$ 250	$ 5,250
GM Loan Conversion (a)	Common equity	May 21, 2009	884		884
SCAP 1	Preferred equity (MCP)	May 21, 2009	7,500	375	7,875
SCAP 2	Preferred equity (MCP)	December 30, 2009	1,250	63	1,313
SCAP 2	Trust preferred securities	December 30, 2009	2,540	127	2,667
Total cash investments			$ 17,174	$ 815	$ 17,989

(a) In January 2009, Treasury loaned $884 million to General Motors. In connection with that loan, Treasury acquired rights to exchange that loan for 190,921 shares. In May 2009, Treasury exercised that right.

The following table summarizes Treasury s investment in Ally at September 30, 2011 not reflecting the conversion or the exchange. See Concurrent Transactions.

	September 30, 2011	
	Book Value	Face Value
	($ in millions)	
MCP (a)	$ 5,685	$ 5,938
Common equity (b)		73.8%

(a) This reflects the exchange of face value of $5.25 billion of Perpetual Preferred Stock to MCP in December 2009 and the conversion of face value of $3.0 billion and $5.5 billion of MCP to common equity in December 2009 and December 2010, respectively.

(b) Represents the current common equity ownership position by Treasury.

Discontinued Operations

During 2009 and 2010, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage Legacy Portfolio and Other operations, and Commercial Finance Group, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details.

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Primary Lines of Business

Our primary lines of business are Global Automotive Services and Mortgage. The following tables summarize the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations that follow.

	Nine months ended September 30,		
	2011	2010	Favorable/ (unfavorable) % change
	($ in millions)		
Total net revenue (loss)			
Global Automotive Services			
North American Automotive Finance operations	$ 2,800	$ 3,056	(8)
International Automotive Finance operations	717	778	(8)
Insurance operations	1,519	1,761	(14)
Mortgage operations			
Origination and Servicing operations	563	1,390	(59)
Legacy Portfolio and Other operations	213	651	(67)
Corporate and Other	(1,187)	(1,642)	28
Total	$ 4,625	$ 5,994	(23)
Income (loss) from continuing operations before income tax (benefit) expense			
Global Automotive Services			
North American Automotive Finance operations	$ 1,628	$ 1,755	(7)
International Automotive Finance operations	193	216	(11)
Insurance operations	321	405	(21)
Mortgage operations			
Origination and Servicing operations	(191)	745	(126)
Legacy Portfolio and Other operations	(324)	(205)	(58)
Corporate and Other	(1,456)	(1,969)	26
Total	$ 171	$ 947	(82)

	Year ended December 31,			Favorable/(unfavorable)	
	2010	2009	2008	2010-2009	2009-2008
	($ in millions)			(% change)	
Total net revenue (loss)					
Global Automotive Services					
North American Automotive Finance operations	$ 4,011	$ 3,831	$ 2,597	5	48
International Automotive Finance operations	999	968	1,242	3	(22)
Insurance operations	2,360	2,271	2,961	4	(23)
Mortgage					
Origination and Servicing operations	1,808	1,005	1,132	80	(11)
Legacy Portfolio and Other operations	865	(59)	678	n/m	(109)

Corporate and Other	(2,141)	(1,521)	7,578	(41)	(120)
Total	$ 7,902	$ 6,495	$ 16,188	22	(60)
Income (loss) from continuing operations before income tax expense (benefit)					
Global Automotive Services					
North American Automotive Finance operations	$ 2,344	$ 1,624	$ (322)	44	n/m
International Automotive Finance operations	228	(157)	102	n/m	n/m
Insurance operations	569	329	499	73	(34)
Mortgage					
Origination and Servicing operations	917	39	462	n/m	(92)
Legacy Portfolio and Other operations	(254)	(6,304)	(3,070)	96	(105)
Corporate and Other	(2,625)	(2,490)	7,066	(5)	(135)
Total	$ 1,179	$ (6,959)	$ 4,737	117	n/m

n/m = not meaningful

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the sections of this prospectus entitled Global Automotive Services and Mortgage for a more complete discussion of operating results by line of business.

	Nine months ended September 30,		
	2011	2010	Favorable/ (unfavorable)
	($ in millions)		(% change)
Net financing revenue			
Total financing revenue and other interest income	$ 7,515	$ 8,785	(14)
Interest expense	4,904	5,098	4
Depreciation expense on operating lease assets	773	1,636	53
Net financing revenue	1,838	2,051	(10)
Other revenue			
Net servicing income	412	992	(58)
Insurance premiums and service revenue earned	1,288	1,415	(9)
Gain on mortgage and automotive loans, net	290	863	(66)
Loss on extinguishment of debt	(64)	(123)	48
Other gain on investments, net	251	355	(29)
Other income, net of losses	610	441	38
Total other revenue	2,787	3,943	(29)
Total net revenue	4,625	5,994	(23)
Provision for loan losses	213	371	43
Noninterest expense			
Compensation and benefits expense	1,161	1,206	4
Insurance losses and loss adjustment expenses	620	664	7
Other operating expenses	2,460	2,806	12
Total noninterest expense	4,241	4,676	9
Income from continuing operations before income tax expense	171	947	(82)
Income tax expense from continuing operations	101	117	14
Net income from continuing operations	$ 70	$ 830	(92)

First Nine Months 2011 Compared to First Nine Months 2010

We earned net income from continuing operations of $70 million for the nine months ended September 30, 2011, compared to $830 million for the nine months ended September 30, 2010. Continuing operations for the nine months ended September 30, 2011, were unfavorably impacted by a decrease in net servicing income due to a drop in interest rates and increased market volatility and lower gains on the sale of loans. Partially offsetting the decrease during the period was lower representation and warranty expense. Additionally, the year-to-date period was positively impacted by a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements during the three months ended June 30, 2011.

Total financing revenue and other interest income decreased by 14% for the nine months ended September 30, 2011, compared to the same period in 2010. Operating lease revenue (along with the related depreciation expense) at our Automotive Finance operations decreased as a result of a decline in the size of our operating lease portfolio due to our decision in late 2008 to significantly curtail leasing. Depreciation expense was also unfavorably impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease at our Mortgage Legacy Portfolio and Other operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the decrease for both periods was an increase in consumer financing revenue at our North American Automotive operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting from the recovery of automotive industry sales and growth in used vehicle financing volumes.

Net servicing income was $412 million for the nine months ended September 30, 2011, compared to income of $992 million for the same period in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010.

Insurance premiums and service revenue earned decreased 9% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 66% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily due to lower whole-loan mortgage sales and mortgage loan resolutions in 2011, lower margins on mortgage loan sales, and a decrease in mortgage loan production. The decrease was partially offset by the expiration of our automotive forward flow agreements during the fourth quarter of 2010.

Loss on extinguishment of debt decreased $59 million for the nine months ended September 30, 2011, compared to the same period in 2010. The activity in these periods related to the extinguishment of certain Ally debt, which included $50 million of accelerated amortization of original issue discount for the nine months ended September 30, 2011, compared to $101 million for the same period in 2010.

Other gain on investments decreased 29% for the nine months ended September 30, 2011, compared to the same period in 2010, primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 38% for the nine months ended September 30, 2011, compared to the same period in 2010. The increase was primarily due to the positive impact of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a lower fair value option election adjustment at our Legacy Portfolio and Other operations due to lower assets and better performance of the remaining asset portfolio.

The provision for loan losses was $213 million for the nine months ended September 30, 2011, compared to $371 million for the same period in 2010. The decrease for the nine months ended September 30, 2011, reflected improved credit quality of the overall portfolio and the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 7% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily due to lower frequency and severity experienced within our Insurance international business and the sale of certain international operations during the fourth quarter of 2010. The decrease for the nine months ended September 30, 2011, was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Other operating expenses decreased 12% for the nine months ended September 30, 2011, compared to the same period in 2010. The nine months ended September 30, 2011, were favorably impacted by lower mortgage representation and warranty reserve expense, lower insurance commissions, and lower vehicle remarketing and repossession expense.

We recognized consolidated income tax expense from continuing operations of $101 million for the nine months ended September 30, 2011, compared to $117 million for the same period in 2010. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense is driven by foreign income taxes on pre-tax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted.

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The decrease in income tax expense for the nine months ended September 30, 2011, compared to the same period in 2010, was primarily related to the 2011 income tax benefit resulting from a $101 million reversal of valuation allowance in Canada related to modifications to the legal structure of our Canadian operations.

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the sections of this prospectus entitled Global Automotive Services and Mortgage for a more complete discussion of operating results by line of business.

	Year ended December 31,			Favorable/ (unfavorable)	
	2010	2009	2008	2010-2009	2009-2008
		($ in millions)		(% change)	
Net financing revenue					
Total financing revenue and other interest income	$ 11,447	$ 13,100	$ 18,054	(13)	(27)
Interest expense	6,836	7,274	10,441	6	30
Depreciation expense on operating lease assets	2,030	3,748	5,478	46	32
Impairment of investment in operating leases			1,218		100
Net financing revenue	2,581	2,078	917	24	127
Other revenue					
Net servicing income	1,169	445	1,484	163	(70)
Insurance premiums and service revenue earned	1,865	1,977	2,710	(6)	(27)
Gain on mortgage and automotive loans, net	1,267	811	159	56	n/m
(Loss) gain on extinguishment of debt	(123)	665	12,628	(118)	(95)
Other gain (loss) on investments, net	505	166	(378)	n/m	144
Other income, net of losses	638	353	(1,332)	81	127
Total other revenue	5,321	4,417	15,271	20	(71)
Total net revenue	7,902	6,495	16,188	22	(60)
Provision for loan losses	442	5,604	3,102	92	(81)
Noninterest expense					
Compensation and benefits expense	1,622	1,576	1,916	(3)	18
Insurance losses and loss adjustment expenses	876	1,042	1,402	16	26
Other operating expenses	3,783	5,232	5,031	28	(4)
Total noninterest expense	6,281	7,850	8,349	20	6
Income (loss) from continuing operations before income tax expense (benefit)	1,179	(6,959)	4,737	117	n/m
Income tax expense (benefit) from continuing operations	153	74	(136)	(107)	(154)
Net income (loss) from continuing operations	$ 1,026	$ (7,033)	$ 4,873	115	n/m

n/m = not meaningful

2010 Compared to 2009

We earned net income from continuing operations of $1.0 billion for the year ended December 31, 2010, compared to a net loss from continuing operations of $7.0 billion for the year ended December 31, 2009. Continuing operations for the year ended December 31, 2010, were favorably impacted by our strategic mortgage actions taken during 2009 to stabilize our consumer and commercial portfolios that resulted in a significant decrease in our provision for loan losses and our continued focus on cost reduction resulted in lower operating expenses. The year ended December 31, 2010, was also favorably impacted by an increase in net servicing income; higher gains on the sale of loans; and lower impairments on equity investments, lot option projects, model homes, and foreclosed real estate.

Total financing revenue and other interest income decreased by 13% for the year ended December 31, 2010, compared to 2009. Our International Automotive Finance operations experienced lower consumer and commercial asset levels due to adverse business conditions in Europe and the runoff of wind-down portfolios in certain international countries as we shifted our focus to five core international markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture. A decline in asset levels in our Mortgage Legacy Portfolio and Other operations resulted from asset sales and portfolio runoff. Operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations decreased as a result of a net decline in the size of our operating lease portfolio due to our decision in late 2008 to significantly curtail leasing. The decrease was partially offset by lease portfolio remarketing gains due to strong used vehicle prices and higher remarketing volume as well as an increase in consumer and commercial financing revenue related to the addition of non-GM automotive financing business.

Interest expense decreased 6% for the year ended December 31, 2010, compared to 2009. Interest expense decreased as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Net servicing income was $1.2 billion for the year ended December 31, 2010, compared to $445 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher Home Affordable Modification Program (HAMP) loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

Insurance premiums and service revenue earned decreased 6% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower earnings from our U.S. extended service contracts due to a decrease in domestic written premiums related to lower vehicle sales volume during the period 2007 to 2009. The decrease was partially offset by increased volume in our international operations.

Gain on mortgage and automotive loans increased 56% for the year ended December 31, 2010, compared to 2009. The increase was primarily related to unfavorable valuation adjustments taken during 2009 on our held-for-sale automobile loan portfolios, higher gains on mortgage whole-loan sales and securitizations in 2010 compared to 2009, higher gains on mortgage loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. The increase was partially offset by gains on the sale of wholesale automotive financing receivables during 2009 as there were no off-balance sheet wholesale funding transactions during 2010.

We incurred a loss on extinguishment of debt of $123 million for the year ended December 31, 2010, compared to a gain of $665 million for the year ended December 31, 2009. The activity in all periods related to the extinguishment of certain Ally debt that for the year ended December 31, 2010, included $101 million of accelerated amortization of original issue discount.

Other gain on investments was $505 million for the year ended December 31, 2010, compared to $166 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning and the sale of our tax-exempt securities portfolio. During the year ended December 31, 2009, we recognized other-than-temporary impairments of $55 million.

Other income, net of losses, increased 81% for the year ended December 31, 2010, compared to 2009. The improvement in 2010 was primarily related to the absence of loan origination income deferral due to the fair value option election for our held-for-sale loans during the third quarter of 2009 and the impact of significant impairments recognized in 2009. In 2009, we recorded impairments on equity investments, lot option projects, model homes, and an $87 million fair value impairment upon the transfer of our resort finance portfolio from held-for-sale to held-for-investment. Also in 2010, we recognized gains on the sale of foreclosed real estate compared to losses and impairments in 2009.

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The provision for loan losses was $442 million for the year ended December 31, 2010, compared to $5.6 billion in 2009. The Mortgage Legacy Portfolio and Other provision decreased $4.1 billion from the prior year due to an improved asset mix as a result of the strategic actions taken during the fourth quarter of 2009 to write-down and reclassify certain legacy mortgage loans from held-to-investment to held-for-sale. The decrease in provision was also driven by the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 16% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower loss experience in our Mortgage Legacy Portfolio and Other operations captive reinsurance portfolio.

Other operating expenses decreased 28% for the year ended December 31, 2010, compared to 2009, reflecting our continued expense reduction efforts. The improvements were primarily due to lower mortgage representation and warranty expenses, reduced professional service expenses, lower technology and communications expense, lower full-service leasing vehicle maintenance costs, lower insurance commissions, and lower advertising and marketing expenses for the year ended December 31, 2010.

Management focuses on efficiency ratio as an important measure to assess the performance of our operations. Throughout 2010, expense reduction was a strategic objective of management as we continued to focus on increasing operational efficiency by decreasing expenses as well as streamlining our operations through the disposition or wind-down of non-core businesses and related legacy infrastructure. We remain focused on efforts to control costs to support overall profitability while still investing in key customer-facing areas critical to our core franchises. Additionally, advertising and marketing expenses decreased in 2010 as compared to 2009. These reductions largely reflect higher expenses incurred in 2009 to establish the new Ally brand. Going-forward our advertising and marketing dollars will primarily be directed to customers and initiatives that we believe support our growth strategy.

We recognized consolidated income tax expense of $153 million for the year ended December 31, 2010, compared to $74 million in 2009. The increase was driven primarily by foreign taxes on higher pretax profits not subject to valuation allowance and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior year losses is restricted.

2009 Compared to 2008

We reported a net loss from continuing operations of $7.0 billion for the year ended December 31, 2009, compared to net income from continuing operations of $4.9 billion for the year ended December 31, 2008. The 2009 results from continuing operations were adversely affected by strategic actions taken in the fourth quarter of 2009 to sell certain legacy mortgage assets resulting in the reclassification of these loans from held-for-investment to held-for-sale. These actions resulted in provision for loan losses of $2.0 billion. Additionally, 2009 was adversely impacted by higher mortgage representation and warranty expense of $1.2 billion compared to 2008 and a $1.2 billion income tax expense impact related to our conversion from a limited liability company to a corporation effective June 30, 2009. The income tax expense related to our conversion was largely offset by income tax benefits resulting from the operating loss recognized in 2009. These adverse impacts were partially offset by a strengthening used vehicle market, which resulted in higher remarketing proceeds that favorably impacted depreciation expense and reduced the provision for loan losses as a result of higher collateral values that reduced our loss severity. Additionally, 2008 results benefited from an $11.5 billion pretax gain from the extinguishment of debt related to our bond exchange.

Total financing revenue and other interest income decreased by 27% for the year ended December 31, 2009, compared to 2008, primarily due to lower asset levels at our Global Automotive Services and Mortgage Legacy Portfolio and Other operations as a result of lower asset origination levels and portfolio runoff. Consumer and operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations and International Automotive Finance operations decreased as a result of our strategic decisions in late 2008 to significantly curtail leasing due to credit market dislocation, negative economic conditions, low consumer confidence, and decreasing lease residual values. In addition, our International Automotive Finance operations consumer and commercial asset levels were lower due to operations winding down in several countries. Declines in Legacy Mortgage asset levels resulted from asset sales and portfolio runoff. Additionally, we recognized lower yields on consumer mortgage loans as a result of higher delinquencies, increases in nonaccrual levels, and the impact of lower rates on adjustable-rate mortgage loans.

Interest expense was $7.3 billion for the year ended December 31, 2009, compared to $10.4 billion in 2008. Interest expense decreased at our North American Automotive Finance operations and at our International Automotive Finance operations primarily due to reductions in the average balance of interest-bearing liabilities consistent with lower average asset levels. The decrease at Mortgage was primarily due to a lower average cost of funds due to declining interest rates and lower average borrowings related to a reduction in asset levels and extinguishments of ResCap debt. These decreases were partially offset by the amortization of the original issue discount associated with the December 2008 bond exchange.

No impairment of investment in operating leases was recognized in 2009. In 2008 we recognized a $1.2 billion impairment on our investment in operating leases that resulted from significant declines in used vehicle demand and used vehicle sales prices. The impairment consisted of $1.2 billion within our North American Automotive Finance operations and $26 million within our International Automotive Finance operations.

Net servicing income decreased 70% during the year ended December 31, 2009, compared to 2008. The decrease was mainly due to unfavorable mortgage servicing valuations reflecting a projected reduction in cash flows and increased prepayment assumptions as a result of lower market interest rates compared to favorable valuation adjustments due to decreasing prepayment trends in 2008. Additionally, we recognized unfavorable hedge performance due to changes in the spreads between our servicing assets and the derivative hedge portfolio, which is used to manage interest rate risk. Our ability to fully hedge interest rate risk and volatility was restricted in the latter half of 2008 and during the year ended December 31, 2009, by the limited availability of willing counterparties to enter into forward agreements and liquidity constraints hindering our ability to take positions in the option markets. Servicing fees also declined as a result of portfolio runoff and sales of certain servicing assets during the second half of 2008.

Insurance premiums and service revenue earned decreased 27% during the year ended December 31, 2009, compared to 2008. The decrease was primarily due to the sale of our U.S. reinsurance agency in November 2008. Additionally, lower earned premiums on extended service contracts written in current and prior periods, lower dealer inventory levels, and decreases within our international operations contributed to a decrease in revenue. These decreases were primarily due to the overall negative economic environment and lower dealership volumes.

The net gain on mortgage and automotive loans was $811 million for the year ended December 31, 2009, compared to $159 million for the year ended December 31, 2008. The net improvement in 2009 was primarily due to realized losses related to Legacy Mortgage asset sales in 2008. Additionally, we recognized improved margins on sales of loans in 2009 as a result of our focus on originating conforming and government-insured residential mortgage loans. Partially offsetting the improvement was decreased gains from lower whole-loan sales volumes and securitization transactions in our North American Finance Automotive operations due to a shift in our strategy to a deposit-based funding model through Ally Bank with less reliance on the securitization markets.

Gain on extinguishment of debt totaled $665 million for the year ended December 31, 2009, compared to $12.6 billion for the year ended December 31, 2008. The 2009 results were primarily driven by the recognition of a $634 million gain on the extinguishment of certain debt as part of privately negotiated transactions. The 2008 results were impacted largely by the fourth quarter private debt exchange and cash tender offers that generated pretax gains of $11.5 billion. The 2008 results also include additional debt extinguishment gains of $1.1 billion recognized by Mortgage offset by losses of $23 million recognized by Corporate and Other due to the repurchase and extinguishment of ResCap debt.

Other net gain on investments was $166 million for the year ended December 31, 2009, compared to a net loss of $378 million in 2008. The increase was primarily related to the write-off of certain investment securities in 2008 and lower other-than-temporary impairments on investment securities in 2009.

Other income, net of losses, increased $1.7 billion for the year ended December 31, 2009, compared to 2008. The improvement was primarily related to the absence of certain 2008 events including a $570 million full equity-method investment impairment due to the decline in credit market conditions and unfavorable asset revaluations, significant equity investment losses, and the recognition of a $255 million impairment on the assets of our resort finance business in 2008. Additionally, the improvement was driven by lower losses on the sale of foreclosed real estate due to lower volume and severity and lower impairments on lot option projects and model homes, and lower losses on residual interests due to the write-down of home equity residuals in 2008. Partially offsetting these increases was a decrease in real estate brokerage fee income due to the 2008 sale of our business that provided brokerage and relocation services.

The provision for loan losses was $5.6 billion for the year ended December 31, 2009, compared to $3.1 billion in 2008. The Mortgage provision for loan losses increased $2.6 billion for the year ended December 31, 2009. The increase was primarily due to strategic actions in the fourth quarter of 2009 as a result of the decision to sell certain legacy mortgage assets resulting in the reclassification of these assets from held-for-investment to held-for-sale and consequently the recognition of $2.0 billion in expense. Additionally, we recognized higher provision for loan losses on the Ally Bank held-for-investment portfolio due to higher projected delinquencies and loss severities, as well as regulatory input. The increase was partially offset by lower provision for loan losses as a result of lower mortgage loan and lending receivables balances in 2009 compared to 2008. Our North American Automotive Finance operations provision decreased $587 million for the year ended December 31, 2009, primarily due to a decrease in the provision for retail balloon contracts as a result of a strengthening used vehicle market in the United States and portfolio runoff as this product was curtailed in September 2008. Our Commercial Finance Group s provision increased $481 million for the year ended December 31, 2009, due to an increase in provision for loan losses within the resort finance business and in our European operations.

Compensation and benefits expense decreased 18% for the year ended December 31, 2009, compared to 2008, primarily due to lower employee headcount.

Insurance losses and loss adjustment expenses decreased 26% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the sale of our U.S. reinsurance agency and lower loss experience in our dealership-related products as a result of lower volumes.

Other operating expenses increased 4% for the year ended December 31, 2009, compared to 2008. Other operating expenses were largely impacted by higher mortgage representation and warranty expense of $1.2 billion in 2009 compared to 2008. Excluding the effects of mortgage representation and warranty expense, other operating expenses decreased 22% in 2009 compared to 2008. Contributing to this improvement was a decrease in insurance commissions, reduced restructuring expenses, reduced professional service expenses, and lower vehicle remarketing and repossession expenses.

We recognized consolidated tax expense of $74 million for the year ended December 31, 2009, compared to a tax benefit of $136 million in 2008. The increase in tax expense was primarily due to our conversion from a limited liability company to a corporation effective June 30, 2009, which resulted in the recognition of a $1.2 billion net deferred tax liability through income tax expense. Additionally, we recognized higher valuation allowances in 2009 compared to 2008. Partially offsetting the increase in expense was higher tax benefits on operating losses as a result of our conversion to a corporation. Refer to Note 24 to the Consolidated Financial Statements for additional information regarding our change in tax status.

Global Automotive Services

Results for Global Automotive Services are presented by reportable segment, which includes our North American Automotive Finance operations, our International Automotive Finance operations, and our Insurance operations.

Automotive Finance Operations

Our North American Automotive Finance operations and our International Automotive Finance operations (Automotive Finance operations) provide automotive financing services to consumers and to automotive dealers. For consumers, we offer retail automobile financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Consumer Automotive Financing

Historically, we have provided two basic types of financing for new and used vehicles: retail automobile contracts (retail contracts) and automobile lease contracts. In most cases, we purchase retail contracts and leases for new and used vehicles from dealers when the vehicles are purchased or leased by consumers. In a number of markets outside the United States, we are a direct lender to the consumer. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. In connection with lease contracts, we also recognize a gain or loss on the remarketing of the vehicle at the end of the lease.

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles. Due to funding challenges related to the general economic recession at the time, in January 2009, we ceased originating financing volume through Nuvell, which had focused on nonprime automotive financing through GM-affiliated dealers.

With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the projected residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, and excessive wear and tear. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. We generally base our determination of the projected residual values on a guide published by an independent publisher of vehicle residual values, which is stated as a percentage of the manufacturer s suggested retail price. These projected values may be upwardly adjusted as a marketing incentive if the manufacturer or Ally considers above-market residual support necessary to encourage consumers to lease vehicles.

Consumer automobile leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease losses are limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. North American operating lease accounts past due over 30 days represented 2.36% and 3.12% of the total portfolio at December 31, 2010 and 2009, respectively. In late 2008, we significantly curtailed leasing due to distress in the capital markets and the significant decline in used vehicle prices that resulted in increased residual losses. We selectively re-entered the leasing market in 2009; however, originations are significantly lower than in past years. We did not receive residual support from GM or Chrysler on lease originations in 2010 or 2009.

Our standard U.S. leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle. In addition to the SmartLease plans, prior to September 2008, we offered the SmartBuy plan through U.S. dealerships to consumers. SmartBuy combined certain features of a lease contract with those of a traditional retail contract. Under the SmartBuy plan, the customer pays regular monthly payments that are generally lower than would otherwise be owed under a traditional retail contract. At the end of the contract, the customer has several options including keeping the vehicle by making a final balloon payment, refinancing the balloon payment, or returning the vehicle to us and paying a disposal fee plus any applicable excess wear and excess mileage charges. Unlike a lease contract, during the course of a SmartBuy contract, the customer owns the vehicle, and we hold a perfected security interest in the vehicle. Effective September 2008, we ceased new originations of the SmartBuy product.

With respect to all financed vehicles, whether subject to a retail contract or a lease contract, we require that property damage insurance be obtained by the consumer. In addition, for lease contracts, we require that bodily injury and comprehensive and collision insurance be obtained by the consumer.

The consumer financing revenue of our Automotive Finance operations totaled $3.4 billion, $3.1 billion, and $4.0 billion in 2010, 2009, and 2008, respectively.

Consumer Automotive Financing Volume

The following tables summarize our new and used vehicle consumer financing volume and our share of consumer sales.

	Ally consumer automotive financing volume Nine months ended September 30,		**% Share of consumer sales Nine months ended September 30,**	
	2011	**2010**	**2011**	**2010**
	(units in thousands)		**(%)**	
GM new vehicles				
North America	621	463	40	36
International (excluding China) (a)	257	210	27	21
China (b)	92	77	11	11
Total GM new units financed	970	750		
Chrysler new vehicles				
North America	257	253	30	41
International (excluding China)	1			
Total Chrysler new units financed	258	253		
Other non-GM / Chrysler new vehicles				
North America	52	22		
International (excluding China)	2	3		
China (b)	72	54		
Total other non-GM / Chrysler new units financed	126	79		
Used vehicles				

North America	357	195
International (excluding China)	30	19
Total used units financed	387	214
Total consumer automotive financing volume	1,741	1,296

(a) Excludes financing volume and GM consumer sales of discontinued operations as well as GM consumer sales for other countries in which GM operates and in which we have no financing volume.

(b) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Growth in consumer automotive financing volume in 2011, compared to 2010, was primarily driven by higher industry sales. Additionally, the increase in volume during the nine months ended September 30, 2011 reflects the impact of our continued focus on the used vehicle and diversified markets, as well as lease-related volume. Penetration levels for the nine months ended September 30, 2011 increased as a result of expanding our retail platform. Chrysler penetration levels declined for the nine months ended September 30, 2011, as compared to the same period in 2010. The decrease is related to a reduction in manufacturer non-rate incentive programs. The improved penetration levels for our International operations reflect aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns, the reintroduction of products, and more competitive pricing.

	Ally consumer automotive financing volume Year ended December 31,			% Share of consumer sales Year ended December 31,		
	2010	2009	2008	2010	2009	2008
	(units in thousands)			(%)		
GM new vehicles						
North America	694	488	929	40	27	38
International (excluding China) (a)	299	272	421	22	20	32
China (b)	119	74	59	11	11	13
Total GM new units financed	1,112	834	1,409			
Chrysler new vehicles						
North America	322	64	8	38	8	
International (excluding China)	1					
Total Chrysler new units financed	323	64	8			
Other non-GM/Chrysler new vehicles						
North America	33	10	52			
International (excluding China)	4	4	25			
China (b)	89	33	11			
Total other non-GM/Chrysler new units financed	126	47	88			
Used vehicles						
North America	269	142	339			
International (excluding China)	25	22	103			
Total used units financed	294	164	442			
Total consumer automotive financing volume	1,855	1,109	1,947			

(a) Excludes financing volume and GM consumer sales of discontinued operations as well as GM consumer sales for other countries in which GM operates and in which we have no financing volume.

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(b) Includes vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Growth in consumer automotive financing volume and related penetration levels in 2010 compared to 2009 were primarily driven by higher industry sales, growth of our leasing business, and full implementation of Ally Dealer Rewards. Volume and penetration levels were also favorably impacted by the addition of Chrysler consumer automotive financing.

Manufacturer Marketing Incentives

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

GM historically provided incentives, referred to as residual support, on leases, although we currently do not have residual support arrangements on 2010 or 2009 originated leases. As previously mentioned, under these programs, we bear a portion of the risk of loss to the extent the value of a leased vehicle upon remarketing is below the projected residual value of the vehicle at the time the lease contract is signed. However, these projected values may be upwardly adjusted as a marketing incentive if GM considers an above-market residual appropriate to encourage consumers to lease vehicles. Residual support by GM results in a lower monthly lease payment for the consumer. GM reimburses us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates.

In addition to the residual support arrangement for leases originated prior to 2009, GM shares in residual risk on a significant portion of off-lease vehicles sold at auction. Specifically, we and GM share a portion of the loss when resale proceeds fall below the standard residual values on vehicles sold at auction. GM reimburses us for a portion of the difference to the extent that proceeds are lower than our standard residual values (limited to a cap).

Under what we refer to as GM-sponsored pull-ahead programs, consumers may be encouraged to terminate leases early in conjunction with the acquisition of a new GM vehicle. As part of these programs, we waive all or a portion of the customer s remaining payment obligation. Under most programs, GM compensates us for a portion of the foregone revenue from the waived payments partially offset to the extent that our remarketing sales proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity.

On November 30, 2006, and in connection with the sale by GM of a 51% interest in Ally, GM and Ally entered into several service agreements that codified the mutually beneficial historic relationship between the companies. One such agreement was the United States Consumer Financing Services Agreement (the Financing Services Agreement). The Financing Services Agreement, among other things, provided that subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers (e.g., lower interest rates than market rates), it would do so exclusively through Ally. This requirement was effective through November 2016, and in consideration for this, Ally paid to GM an annual exclusivity fee and was required to meet certain targets with respect to consumer retail and lease financings of new GM vehicles.

Effective December 29, 2008, and in connection with the approval of our application to become a bank holding company, GM and Ally modified certain terms and conditions of the Financing Services Agreement. Certain of these amendments include the following: (1) for a two-year period, GM can offer retail financing incentive programs through a third-party financing source under certain specified circumstances and, in some cases, subject to the limitation that pricing offered by the third party meets certain restrictions, and after the two-year period GM can offer any such incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with Ally, provided that the pricing of such third parties meets certain requirements; (2) Ally will have no obligation to provide operating lease financing products; and (3) Ally will have no targets against which it could be assessed penalties. The modified Financing Services Agreement will expire on December 31, 2013. After December 31, 2013, GM will have the right to offer retail financing incentive programs through any third-party financing source, including Ally, without restrictions or limitations. A primary objective of the Financing Services Agreement continues to be supporting distribution and marketing of GM products.

The following table shows GM subvented retail and lease volume acquired by Ally.

	Nine months ended September 30,		Year ended December 31,		
	2011	2010	2010	2009	2008
GM subvented volume in North America					
As % of GM North American new retail and lease volume acquired by Ally	51%	53%	51%	69%	84%
As % of total North American new and used retail and lease volume acquired by Ally	25%	26%	27%	48%	59%
GM subvented International (excl. China) volume (a)					
As % of GM International new retail and lease volume acquired by Ally	67%	53%	55%	67%	48%
As % of total International new and used retail and lease volume acquired by Ally	60%	48%	50%	61%	37%
GM subvented volume in China (b)					
As % of GM China new retail and lease volume acquired by Ally	10%	7%	14%	1%	2%
As % of total China new and used retail and lease volume acquired by Ally	6%	4%	8%	1%	2%

(a) Represents subvention for continuing operations only.

(b) Through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

The following table shows Chrysler subvented retail and lease volume acquired by Ally.

	Nine months ended September 30,		Year ended December 31,		
	2011	2010	2010	2009	2008
Chrysler subvented volume North America					
As % of Chrysler North American new retail and lease volume acquired by Ally	53%	58%	57%	39%	0%
As % of total North American new and used retail and lease volume acquired by Ally	11%	16%	14%	4%	0%

During the nine months ended September 30, 2011, North American retail contracts acquired that included rate subvention from GM and Chrysler decreased as a percentage of total new retail contracts acquired as compared to the same period in 2010 due to reductions in manufacturer marketing incentives. Conversely, International retail contracts acquired that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets.

On August 6, 2010, we entered into an agreement with Chrysler LLC (Chrysler) to be the preferred provider of financial services for Chrysler vehicles. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We provide retail financing to Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion. Chrysler is obligated to provide us with certain exclusivity privileges including the use of Ally for designated minimum threshold percentages of certain of Chrysler s retail financing subvention programs. The agreement extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal.

Servicing

We have historically serviced all retail contracts and leases we retained on-balance sheet. We historically sold a portion of the retail contracts we originated and retained the right to service and earn a servicing fee for our servicing functions. Ally Servicing Inc., a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automobile leases.

Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, processing customer requests for account revisions (such as payment extensions and rewrites), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, and disposing of off-lease vehicles. Servicing activities are generally consistent for our Automotive Finance operations; however, certain practices may be influenced by local laws and regulations.

Our U.S. customers have the option to receive monthly billing statements or coupon books, to remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through the Ally Account Center. Customer payments are processed by regional third-party processing centers that electronically transfer payment data to customers accounts.

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease. These contacts begin with a reminder notice when the account is 5 to 15 days past due. Telephone contact typically begins when the account is 1 to 15 days past due. Accounts that become 20 to 30 days past due are transferred to special collection teams that track accounts more closely. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. If the customer s financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2007, only 8.2% of the extended or rewritten accounts were subsequently charged off through December 31, 2010. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2010, 7.4% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily

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surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid financing charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2010 and 2009, our total consumer automotive serviced portfolio was $78.8 billion and $82.6 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of $60.4 billion at December 31, 2010, and our managed portfolio of $63.1 billion at December 31, 2009. Prior to 2010, our managed portfolio included retail receivables held on-balance sheet for investment and receivables securitized and sold that we continued to service and in which we had a continuing involvement (i.e., in which we retain an interest or risk of loss in the underlying receivables). On January 1, 2010, we adopted ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU 2009-17), that resulted in the consolidation of all receivables that had been considered off-balance sheet and included as part of our managed portfolio becoming on-balance sheet assets.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at lease termination, the vehicle is returned to us for remarketing through an auction. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the projected residual value determined at the time the lease contract is signed. GM may share this risk with us for certain leased GM vehicles, as described previously under Manufacturer Marketing Incentives.

The following table summarizes our methods of vehicle sales in the United States at lease termination stated as a percentage of total lease vehicle disposals.

	Year ended December 31,		
	2010	**2009**	**2008**
Auction			
Internet	60%	57%	47%
Physical	18%	25%	38%
Sale to dealer	12%	11%	10%
Other (including option exercised by lessee)	10%	7%	5%

We primarily sell our off-lease vehicles through:

Internet auctions We offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction.

Physical auctions We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

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Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers purchases of new and used vehicles. During 2010, we financed an average of $18.9 billion of new GM vehicles, representing an 86% share of GM s North American dealer inventory and a 75% share of GM s international dealer inventory in countries where GM operates and we had dealer inventory financing, excluding China. We also financed an average of $5.8 billion of new Chrysler vehicles representing a 75% share of Chrysler s North American dealer inventory. In addition, we financed an average of $2.4 billion of new non-GM/Chrysler vehicles.

On August 6, 2010, we entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We are Chrysler s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, Mexico, and other international markets upon the mutual agreement of the parties. We provide dealer financing and services to Chrysler dealers as we deem appropriate according to our credit policies and in our sole discretion. The agreement extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal.

Wholesale credit is arranged through lines of credit extended to individual dealers. In general, each wholesale credit line is secured by all vehicles and by other assets owned by the dealer or the operator s or owner s personal guarantee. Additionally, to minimize our risk, both GM and Chrysler are bound by repurchase obligations that, under certain circumstances, require them to repurchase new vehicle inventory, such as dealer default. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and with respect to vehicles manufactured by GM and other motor vehicle manufacturers, a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing of our North American Automotive Finance operations is structured to yield interest at a floating rate indexed to the Prime Rate. The wholesale automotive financing of our International Automotive Finance operations is structured to yield interest at a floating rate indexed to benchmark rates specific to the relevant country. The rate for a particular dealer is based on, among other things, competitive factors, the amount and status of the dealer s creditworthiness, and various incentive programs.

Under the terms of the credit agreement with the dealer, we may demand payment of interest and principal on wholesale credit lines at any time; however, unless we terminate the credit line or the dealer defaults, we generally require payment of the principal amount financed for a vehicle upon its sale or lease by the dealer to the customer. Ordinarily, a dealer has between one and five days, based on risk and exposure of the account, to satisfy the obligation.

Under wholesale financing arrangements, we lend money to GM-franchised dealers to finance their vehicle inventory purchases from GM. We advance the loan proceeds directly to GM. Under an agreement with GM, the advances were made before the date the vehicles were expected to be delivered to the dealers. We earned $178 million of interest under the terms of this arrangement during the year ended December 31, 2010. At the end of 2010 GM terminated this advance payment arrangement. We expect any remaining interest payments in 2011 in connection with the terminated arrangement to be minimal.

The commercial wholesale revenue of our Automotive Finance operations totaled $1.4 billion, $1.2 billion, and $1.3 billion in 2010, 2009, and 2008, respectively.

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Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in markets where we operate.

	Average balance Nine months ended September 30,		% Share of dealer inventory Nine months ended September 30,	
	2011	2010	2011	2010
	($ in millions)		(%)	
GM new vehicles				
North America (a)	$ 15,777	$ 14,374	80	85
International (excluding China) (b)(c)	3,939	3,318	79	74
China (b)(d)	1,235	1,088	81	81
Total GM new vehicles financed	20,951	18,780		
Chrysler new vehicles				
North America (a)	7,623	5,554	66	71
International	23	40		
Total Chrysler new vehicles financed	7,646	5,594		
Other non-GM / Chrysler new vehicles				
North America	2,070	1,916		
International (excluding China)	132	84		
Total other non-GM / Chrysler new vehicles financed	2,202	2,000		
Used vehicles				
North America	3,141	3,035		
International (excluding China)	157	88		
Total used vehicles financed	3,298	3,123		
Total commercial wholesale finance receivables	$ 34,097	$ 29,497		

(a) Share of dealer inventory based on end of period dealer inventory.

(b) Share of dealer inventory based on wholesale financing share of GM shipments.

(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued and wind-down operations as well as dealer inventory for other countries in which GM operates and we had no commercial wholesale finance receivables.

(d) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest.

Commercial wholesale financing average balance increased for the nine months ended September 30, 2011, compared to the same period in 2010, primarily due to increasing global automotive sales and the corresponding increase in dealer inventories in virtually every market. North American GM and Chrysler wholesale penetration decreased for the nine months ended September 30, 2011, compared to the same period in 2010, due to increased competition in the wholesale marketplace.

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	Average balance Year ended December 31,			% Share of dealer inventory Year ended December 31,		
	2010	2009	2008	2010	2009	2008
	($ in millions)			(%)		
GM new vehicles						
North America (a)	$ 14,948	$ 17,107	$ 24,306	86	86	88
International (excluding China) (b)(c)	2,919	3,311	4,804	75	91	97
China (b)(d)	1,075	573	633	81	80	84
Total GM new vehicles financed	18,942	20,991	29,743			
Chrysler new vehicles						
North America (a)	5,793	1,762	512	75	25	
International	42	27				
Total Chrysler new vehicles financed	5,835	1,789	512			
Other non-GM/Chrysler new vehicles						
North America	1,951	1,741	2,381			
International (excluding China)	414	621	1,300			
China (d)		5	39			
Total other non-GM/Chrysler new vehicles financed	2,365	2,367	3,720			
Used vehicles						
North America	3,044	2,401	3,203			
International (excluding China)	358	255	407			
Total used vehicles financed	3,402	2,656	3,610			
Total commercial wholesale finance receivables	$ 30,544	$ 27,803	$ 37,585			

(a) Share of dealer inventory based on end of period dealer inventory.

(b) Share of dealer inventory based on wholesale financing share of GM shipments.

(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued operations as well as dealer inventory for other countries in which GM operates and in which we had no commercial wholesale finance receivables.

(d) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest.

Commercial wholesale financing average volume increased during 2010 compared to 2009, primarily due to the addition of Chrysler wholesale automotive financing. The reduction in GM s wholesale volume reflects the elimination of the Hummer, Saturn, and Pontiac brands, along with the reduction of total GM dealers. North American penetration levels remained strong in 2010.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and the personal guarantees of the individual owners of the dealership. Automotive fleet financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others.

We generally have a security interest in these vehicles and in the rental payments; however, competitive factors may occasionally limit the security interest in this collateral.

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Servicing and Monitoring

We service all of the wholesale credit lines in our portfolio and the wholesale automotive finance receivables that we have securitized. A statement setting forth billing and account information is distributed on a monthly basis to each dealer. Interest and other nonprincipal charges are billed in arrears and are required to be paid immediately upon receipt of the monthly billing statement. Generally, dealers remit payments to Ally through wire transfer transactions initiated by the dealer through a secure web application.

Dealers are assigned a risk rating based on various factors, including capital sufficiency, operating performance, financial outlook, and credit and payment history. The risk rating affects the amount of the line of credit, the determination of further advances, and the management of the account. We monitor the level of borrowing under each dealer s account daily. When a dealer s balance exceeds the credit line, we may temporarily suspend the granting of additional credit or increase the dealer s credit line or take other actions following evaluation and analysis of the dealer s financial condition and the cause of the excess.

We periodically inspect and verify the existence of dealer vehicle inventories. The timing of the verifications varies, and no advance notice is given to the dealer. Among other things, verifications are intended to determine dealer compliance with the financing agreement and confirm the status of our collateral.

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North American Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our North American Automotive Finance operations for the periods shown. North American Automotive Finance operations consist of automotive financing in the United States and Canada and include the automotive activities of Ally Bank and ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Nine months ended September 30,		
	2011	**2010**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	$ 2,092	$ 1,710	22
Commercial	1,001	1,039	(4)
Loans held-for-sale		112	(100)
Operating leases	1,772	2,863	(38)
Other interest income	75	124	(40)
Total financing revenue and other interest income	4,940	5,848	(16)
Interest expense	1,776	1,802	1
Depreciation expense on operating lease assets	713	1,523	53
Net financing revenue	2,451	2,523	(3)
Other revenue			
Servicing fees	126	175	(28)
Gain on automotive loans, net	48	202	(76)
Other income	175	156	12
Total other revenue	349	533	(35)
Total net revenue	2,800	3,056	(8)
Provision for loan losses	126	267	53
Noninterest expense			
Compensation and benefits expense	319	291	(10)
Other operating expenses	727	743	2
Total noninterest expense	1,046	1,034	(1)
Income before income tax expense	$ 1,628	$ 1,755	(7)
Total assets	$ 90,532	$ 77,295	17
Operating data			
Retail originations	$ 27,745	$ 22,618	
Lease originations	5,980	2,493	

n/m = not meaningful

First Nine Months 2011 Compared to First Nine Months 2010

Our North American Automotive Finance operations earned income before income tax expense of $1.6 billion for the nine months ended September 30, 2011, compared to $1.8 billion for the nine months ended September 30, 2010. The decrease was primarily driven by less favorable remarketing results in our operating lease portfolio, due primarily to lower lease termination volumes as a result of the declines in the size of the lease portfolio and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. This decline was partially offset by increased consumer financing

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revenue driven by strong loan origination volume related primarily to the growth in used automotive financings and improvement in automotive industry sales, as well as a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 22% for the nine months ended September 30, 2011, compared to the same period in 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue was partially offset by lower yields as a result of a competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

Loans held-for-sale financing revenue decreased $112 million for the nine months ended September 30, 2011, compared to the same period in 2010, due to the expiration of our automotive forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions.

Operating lease revenue decreased 38% for the nine months ended September 30, 2011, compared to the same period in 2010. Operating lease revenue (along with the related depreciation expense) decreased due to a decline in the size of our operating lease portfolio. Depreciation expense was also unfavorably impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008, we significantly curtailed leasing in the U.S. and Canada based on credit market dislocation and the significant decline in used vehicle prices that resulted in increasing residual losses and an impairment of our lease portfolio. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease originations since that time. While the wind-down of our legacy lease portfolio has exceeded new origination volume over the past year, the size of our lease portfolio has started to stabilize as lease termination volumes decline, and we continue to support new lease product offerings in the U.S. market.

Other interest income decreased 40% for the nine months ended September 30, 2011 compared to the same period in 2010, primarily due to lower funding rates and a change in funding mix.

Servicing fee income decreased $49 million for the nine months ended September 30, 2011, compared to the same period in 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of previous whole-loan forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased $154 million for the nine months ended September 30, 2011 compared to the same period in 2010. The decrease was primarily due to the expiration of our forward flow agreements during the fourth quarter of 2010. We have opportunistically utilized whole-loan sales as part of our funding strategy; however, during the first nine months of 2011, we have primarily utilized deposit funding and on-balance sheet funding transactions.

Other income increased 12% for the nine months ended September 30, 2011, compared to the same period in 2010. The increase was primarily due to unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010.

The provision for loan losses was $126 million for the nine months ended September 30, 2011, compared to $267 million for the same period in 2010. The decrease for the nine months ended September 30, 2011, was primarily due to improved credit quality which drove improved loss performance in the consumer loan portfolio, continued runoff of our Nuvell nonprime consumer portfolio, and continued favorable pricing in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

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	Year ended December 31, 2010	2009	2008	Favorable/ (unfavorable) 2010-2009	2009-2008
	($ in millions)			(% change)	
Net financing revenue					
Consumer	$ 2,339	$ 1,804	$ 2,358	30	(23)
Commercial	1,425	1,136	1,044	25	9
Loans held-for-sale	112	320	473	(65)	(32)
Operating leases	3,570	5,408	7,236	(34)	(25)
Interest and dividend income	149	269	374	(45)	(28)
Total financing revenue and other interest income	7,595	8,937	11,485	(15)	(22)
Interest expense	2,377	2,363	3,534	(1)	33
Depreciation expense on operating lease assets	1,897	3,500	5,228	46	33
Impairment of investment in operating leases			1,192		100
Net financing revenue	3,321	3,074	1,531	8	101
Other revenue					
Servicing fees	226	238	295	(5)	(19)
Gain on automotive loans, net	249	220	442	13	(50)
Other income	215	299	329	(28)	(9)
Total other revenue	690	757	1,066	(9)	(29)
Total net revenue	4,011	3,831	2,597	5	48
Provision for loan losses	286	611	1,198	53	49
Noninterest expense					
Compensation and benefits expense	387	435	482	11	10
Other operating expenses	994	1,161	1,239	14	6
Total noninterest expense	1,381	1,596	1,721	13	7
Income (loss) before income tax expense	$ 2,344	$ 1,624	$ (322)	44	n/m
Total assets	$ 81,893	$ 68,282	$ 71,981	20	(5)
Operating data					
Retail originations	$ 31,471	$ 19,519	$ 25,197	61	(23)
Lease originations	3,888	259	10,074	n/m	(97)

n/m = not meaningful

2010 Compared to 2009

Our North American Automotive Finance operations earned income before income tax expense of $2.3 billion for the year ended December 31, 2010, compared to $1.6 billion for the year ended December 31, 2009. Results for the year ended December 31, 2010, were favorably impacted by increased loan origination volume related to improved economic conditions, the growth of our non-GM consumer and commercial automotive financing business, and favorable remarketing results, which reflected continued strength in the used vehicle market.

Total financing revenue and other interest income decreased 15% for the year ended December 31, 2010, compared to 2009. The decrease was primarily related to a decline in operating lease revenue, which exceeded the growth in consumer and commercial net financing revenue. Operating lease revenue (along with the related depreciation expense) decreased primarily due to a decline in the size of our operating lease portfolio resulting from our decision in late 2008 to significantly curtail leasing. This decision was based on the significant decline in used vehicle prices that resulted in increasing residual losses during 2008 and an impairment of our lease portfolio. During the latter half of 2009, we selectively re-entered the leasing market with more targeted lease product offerings. As a result, runoff of the legacy portfolio exceeded new origination volume. The decrease in

operating lease revenue was largely offset by an associated decline in depreciation expense, which was also favorably impacted by remarketing gains as a result of continued strength in the used vehicle market and higher remarketing volume. Consumer financing revenue (combined with interest income on consumer loans held-for-sale) increased 15% during the year ended December 31, 2010, primarily due to an increase in consumer loan origination volume as a result of improved economic conditions and increased volume from non-GM channels. Additionally, consumer asset levels increased due to the consolidation of consumer loans included in securitization transactions that were previously classified as off-balance sheet. Refer to Note 11 to the Consolidated Financial Statements for further information regarding the consolidation of these assets. The increase was partially offset by a change in the consumer asset mix related to the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio. Commercial revenue increased 25%, compared to the year ended December 31, 2009, primarily due to an increase in dealer wholesale funding driven by improved economic conditions, the growth of non-GM wholesale floorplan business, and the recognition of all wholesale funding transactions on-balance sheet in 2010 compared to certain transactions that were off-balance sheet in 2009. Interest and dividend income decreased 45% for the year ended December 31, 2010, primarily due to a change in funding mix including lower levels of off-balance sheet securitizations.

Net gain on automotive loans increased 13% for the year ended December 31, 2010, compared to 2009. The increase was primarily related to higher levels of retail whole-loan sales in 2010, higher gains on the sale of loans during 2010, and unfavorable valuation adjustments taken during 2009 on the held-for-sale portfolio. The increase was partially offset by higher gains on the sale of wholesale receivables during 2009 as there were no off-balance sheet wholesale funding transactions during 2010.

Other income decreased 28% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010.

The provision for loan losses was $286 million for the year ended December 31, 2010, compared to $611 million in 2009. The decrease was primarily driven by the continued runoff of our Nuvell portfolio and improved loss performance in the consumer loan portfolio reflecting improved pricing in the used vehicle market and higher credit quality of more recent originations.

Noninterest expense decreased 13% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower compensation and benefits expense primarily related to lower employee headcount resulting from rightsizing the cost structure with business volumes along with further productivity improvements, unfavorable foreign-currency movements during the year ended December 31, 2009, and lower IT and professional services costs due to continued focus on cost reduction.

2009 Compared to 2008

Our North American Automotive Finance operations earned income before income tax expense of $1.6 billion for the year ended December 31, 2009, compared to a loss before income tax expense of $322 million for the year ended December 31, 2008. The year ended December 31, 2009, was favorably impacted by a significant improvement in the used vehicle market, which resulted in higher remarketing proceeds that favorably impacted operating lease depreciation expense. Additionally, we incurred lower provision for loan losses related to our liquidating retail balloon portfolio as a result of higher collateral values that reduced our loss severity. Further, because of this improvement in the used vehicle market, we did not recognize operating lease impairments in 2009, compared to impairments of $1.2 billion in 2008. These favorable items were partially offset by lower financing revenue related to a declining asset base resulting from reduced originations due to the economic recession and the dislocation in the capital and credit markets.

Total financing revenue and other interest income decreased 22% for the year ended December 31, 2009, compared to 2008. Consumer financing revenue (combined with interest income on consumer loans held-for-sale) decreased 25% during the year ended December 31, 2009, primarily due to lower average

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consumer asset levels. These lower asset levels were driven by significantly lower originations beginning in late 2008 due to the general economic recession and significantly tighter credit markets in the United States and Canada as well as the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio. The $320 million of income on loans held-for-sale for the year ended December 31, 2009, related to interest on loans that are expected to be sold in whole-loan and full securitization transactions over the next twelve months. Commercial revenue increased 9%, compared to the year ended December 31, 2008, primarily due to an increase in average commercial loan balances that was primarily due to the growth in non-GM related wholesale floorplan business and the reconsolidation of certain off- balance sheet wholesale securitization transactions in 2009. Operating lease revenue (along with the related depreciation expense) decreased as new lease originations significantly declined due to our strategic decision in late 2008 to significantly curtail leasing. This decision was based on the significant decline in used vehicle prices that resulted in an impairment charge and increasing residual losses during 2008. The decrease in operating lease revenue was partially offset by remarketing gains resulting from higher used vehicle selling prices due to a strengthening used vehicle market in 2009. Interest and dividend income decreased 28% for the year ended December 31, 2009, primarily due to a change in funding mix including lower levels of off-balance sheet securitizations.

Interest expense decreased 33% for the year ended December 31, 2009, compared to 2008. The decrease was driven by lower funding requirements due to lower average asset levels in 2009.

No impairment of investment in operating leases was recognized in 2009. In 2008, we recognized a $1.2 billion impairment that resulted from sharp declines in demand and used vehicle sale prices, which adversely affected vehicle remarketing proceeds.

Servicing fees decreased 19% for the year ended December 31, 2009, compared to 2008. The decrease in servicing fees related to declines in the serviced asset base primarily resulting from the runoff of the serviced lease portfolio.

We earned a net gain on automotive loans of $220 million for the year ended December 31, 2009, compared to $442 million for the year ended December 31, 2008. The decrease was primarily due to a shift in our strategy in 2009 to a deposit-based funding model through Ally Bank, with less reliance on the securitization markets. Lower whole-loan sales volumes and other off-balance sheet securitization transactions resulted in decreased gains on the sale of retail and wholesale loans.

The provision for loan losses decreased 49% for the year ended December 31, 2009, compared to 2008. The decrease was due primarily to decreases in the provision for retail balloon contracts primarily as a result of a strengthening used vehicle market and portfolio runoff as this product was curtailed in September 2008. A lower supply of used vehicles in 2009, among other factors, resulted in increased residual values and, in turn, lower provision for loan losses. Additionally, during 2008, the commercial provision had trended higher in response to concerns over GM and associated GM-dealer financial health. These favorable developments were partially offset by an increase in provision for loan loss expense related to unfavorable loss trends in consumer loans in the Nuvell portfolio, primarily in the second half of 2009.

Other noninterest expense decreased 7% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by lower compensation and benefits expense and lower restructuring charges due to headcount reductions resulting from prior restructuring actions.

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International Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our International Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments and include eliminations of balances and transactions among our North American Automotive Finance operations and Insurance operations.

	Nine months ended September 30,		
	2011	**2010**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	$ 902	$ 807	12
Commercial	325	288	13
Loans held-for-sale		12	(100)
Operating leases	77	162	(52)
Other interest income	72	40	80
Total financing revenue and other interest income	1,376	1,309	5
Interest expense	808	672	(20)
Depreciation expense on operating lease assets	60	112	46
Net financing revenue	508	525	(3)
Other revenue			
Gain on automotive loans, net		15	(100)
Other income	209	238	(12)
Total other revenue	209	253	(17)
Total net revenue	717	778	(8)
Provision for loan losses	42	25	(68)
Noninterest expense			
Compensation and benefits expense	132	129	(2)
Other operating expenses	350	408	14
Total noninterest expense	482	537	10
Income from continuing operations before income tax expense	$ 193	$ 216	(11)
Total assets	$ 15,314	$ 17,500	(12)
Operating data			
Consumer originations	$ 6,803	$ 5,125	

n/m = not meaningful

First Nine Months 2011 Compared to First Nine Months 2010

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $193 million during the nine months ended September 30, 2011, compared to income from continuing operations before income tax expense of $216 million during the nine months ended September 30, 2010. Results for the nine months ended September 30, 2011, were unfavorably impacted by an increase in provision for loan losses, as well as favorable mark-to-market adjustments on derivatives during the same period in 2010.

Total financing revenue and other interest income increased 5% during the nine months ended September 30, 2011, compared to the same period in 2010. The increase was primarily due to movements in

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foreign-currency exchange rates on the consumer and commercial portfolios, which were partially offset by a decline in operating lease revenue. Operating lease revenue (along with the related depreciation expense) decreased primarily due to the continued runoff of the full-service leasing portfolio.

Interest expense increased 20% for the nine months ended September 30, 2011, compared to the same period in 2010. The increase was primarily due to an increase in funding costs in certain countries and movement in foreign-currency exchange rates.

Other income decreased 12% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily due to lower servicing revenue on wind-down operations, favorable mark-to-market adjustments on derivatives during the same period in 2010, partially offset by higher earnings from the China joint venture in 2011.

The provision for loan losses increased $17 million for the nine months ended September 30, 2011, compared to the same period in 2010. The increase in year-to-date provision is related to actions taken in the first three months of 2011 related to concerns regarding specific commercial loans.

	Year ended December 31, ($ in millions)			Favorable/ (unfavorable) (% change)	
	2010	2009	2008	2010-2009	2009-2008
Net financing revenue					
Consumer	$ 1,075	$ 1,271	$ 1,604	(15)	(21)
Commercial	390	495	819	(21)	(40)
Loans held-for-sale	15	2		n/m	n/m
Operating leases	205	305	344	(33)	(11)
Interest and dividend income	59	55	197	7	(72)
Total financing revenue and other interest income	1,744	2,128	2,964	(18)	(28)
Interest expense	924	1,176	1,814	21	35
Depreciation expense on operating lease assets	137	247	247	45	
Impairment of investment in operating leases			26		100
Net financing revenue	683	705	877	(3)	(20)
Other revenue					
Gain (loss) on automotive loans, net	21	(77)	2	127	n/m
Other income	295	340	363	(13)	(6)
Total other revenue	316	263	365	20	(28)
Total net revenue	999	968	1,242	3	(22)
Provision for loan losses	54	230	204	77	(13)
Noninterest expense					
Compensation and benefits expense	164	202	202	19	
Other operating expenses	553	693	734	20	6
Total noninterest expense	717	895	936	20	4
Income (loss) from continuing operations before income tax expense	$ 228	$ (157)	$ 102	n/m	n/m
Total assets	$ 15,979	$ 21,802	$ 29,290	(27)	(26)
Operating data					
Consumer originations	$ 7,612	$ 5,710	$ 9,272	33	(38)

n/m = not meaningful

2010 Compared to 2009

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $228 million during the year ended December 31, 2010, compared to a loss from continuing operations before income tax expense of $157 million during the year ended December 31, 2009. Results for 2010 were favorably impacted by lower provision for loan losses and lower restructuring charges on wind-down operations.

Total financing revenue and other interest income decreased 18% for the year ended December 31, 2010, compared to 2009, primarily due to decreases in consumer and commercial asset levels as the result of adverse business conditions in Europe and the runoff of wind-down portfolios.

Interest expense decreased 21% for the year ended December 31, 2010, compared to 2009, primarily due to reductions in borrowing levels consistent with a lower asset base.

Depreciation expense on operating lease assets decreased 45% for the year ended December 31, 2010, compared to 2009, primarily due to the continued runoff of the full-service leasing portfolio.

Net gain on automotive loans was $21 million for the year ended December 31, 2010, compared to a net loss of $77 million for the year ended December 31, 2009. The losses for the year ended December 31, 2009, were due primarily to lower-of-cost or market adjustments on certain loans held-for-sale in certain wind down operations. The gains for the year ended December 31, 2010, were primarily due to the partial release of lower-of-cost or market adjustments on loans held-for-sale in wind-down operations due to improved market values.

The provision for loan losses was $54 million for the year ended December 31, 2010, compared to $230 million in 2009. The decrease was primarily due to improved loss performance on the consumer portfolio reflecting higher origination quality in 2009 and 2010 and the improving financial position of our dealer customers in Europe.

Noninterest expense decreased 20% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower compensation and benefits expense primarily related to lower employee headcount resulting from restructuring activities, unfavorable foreign-currency movements during the year ended December 31, 2009, and lower IT and professional service costs due to continued focus on cost reduction.

2009 Compared to 2008

Our International Automotive Finance operations incurred a loss from continuing operations before income tax expense of $157 million during the year ended December 31, 2009, compared to income from continuing operations before income tax expense of $102 million during the year ended December 31, 2008. The year ended December 31, 2009, was unfavorably impacted by lower financing revenue related to a declining asset base. The asset base decline resulted from reduced originations due to the wind-down of operations in several countries and lower GM sales volume due to the general economic recession. The decrease was partially offset by lower funding costs commensurate with a lower asset base.

Total financing revenue and other interest income decreased 28% for the year ended December 31, 2009, compared to 2008. Consumer financing revenue decreased 21% during the year ended December 31, 2009, primarily due to lower consumer asset levels as a result of significantly lower originations due to the general economic recession, lower GM vehicle sales volume in 2009, and the wind-down of operations in several countries. Consumer asset levels at December 31, 2009, decreased $3.7 billion, or 24%, compared to December 31, 2008. Commercial revenue decreased 40% during 2009 compared to 2008, primarily due to lower commercial asset levels resulting from decreased GM sales volume and the wind-down of operations in several countries. Operating lease revenue decreased due to the significant curtailment of the lease product beginning in late 2008 and the runoff of assets in the full-service leasing portfolio. Interest and dividend income decreased 72% during the year ended December 31, 2009, primarily due to lower intercompany income resulting from a decline in intercompany-lending activity with our Commercial Finance Group and the reclassification of interest income on a one-time Brazil judicial deposit in 2008. Additionally, total financing revenue and other interest income were unfavorably impacted by foreign-currency movements as a result of the strengthening of the U.S. dollar in 2009 compared to 2008.

Interest expense decreased 35% for the year ended December 31, 2009, compared to 2008. The decrease was driven by reductions in the average balance of interest-bearing liabilities consistent with a lower asset base and favorable foreign-currency movements.

No impairment of investment in operating leases was recognized in 2009. The $26 million recognized for the year ended December 31, 2008, related to the full-service leasing portfolio and resulted from declines in demand and used vehicle sale prices.

We incurred a net loss on automotive loans of $77 million for the year ended December 31, 2009, compared to a net gain of $2 million for the year ended December 31, 2008. The loss for the year ended December 31, 2009, was primarily due to the recognition of a $61 million lower-of-cost or fair value adjustment on the held-for-sale Spanish consumer portfolio. Additionally, during 2009, we recognized a $16 million loss on the sale of our India portfolio.

Other income decreased 6% for the year ended December 31, 2009, compared to 2008. The decrease was primarily related to lower full-service leasing fees as a result of asset runoff and the absence of a U.K. value added tax (VAT) refund received in 2008. The decrease was partially offset by favorable mark-to-market adjustments on derivatives and increased vehicle remarketing income on full-service leasing vehicles resulting from a stronger used vehicle market.

Other noninterest expense decreased 4% for the year ended December 31, 2009, compared to 2008. The 2009 results were favorably impacted by the reclassification of interest income on a one-time Brazil judicial deposit in 2008 and lower IT and marketing expenses. The decrease in expense was partially offset by unfavorable foreign-currency movements and higher severance and restructuring expenses.

Insurance

Our Insurance operations offer consumer insurance products sold primarily through dealers and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle extended service contracts and we underwrite selected commercial insurance coverages, primarily covering dealers wholesale vehicle inventory in the United States and internationally. We also sell vehicle extended service contracts with mechanical breakdown and maintenance coverages.

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The following tables show premium and service revenue written by insurance product.

	Nine months ended September 30, 2011	2010
	($ in millions)	
Vehicle service contracts		
New retail	$ 284	$ 237
Used retail	323	334
Total vehicle service contracts	607	571
Wholesale	84	75
Other finance and insurance (a)	112	89
North American operations	803	735
International operations (b)	447	507
Total	$ 1,250	$ 1,242

(a) Other finance and insurance includes GAP insurance, excess wear and tear, and other ancillary products.

(b) International operations for the nine months ended September 30, 2010, includes $88 million of written premium from certain international insurance operations that were sold during the fourth quarter of 2010.

Insurance premiums and service revenue written was $1.3 billion for the nine months ended September 30, 2011, compared to $1.2 billion for the same period in 2010. Insurance premiums and service revenue written increased due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected loss pattern. As such, the majority of earnings from vehicle service contracts written during the nine months ended September 30, 2011, will be recognized as income in future periods. The increase of insurance premiums and service revenue written was partially offset by the sale of certain international insurance operations during the fourth quarter of 2010.

	Year ended December 31, 2010	2009	2008
		($ millions)	
Vehicle service contracts			
New retail	$ 315	$ 281	$ 431
Used retail	426	384	546
Total vehicle service contracts	741	665	977
Wholesale	103	100	137
Other finance and insurance (a)	113	75	80
Wind-down		2	242
North American operations	957	842	1,436
International operations	631	594	722
Total	$ 1,588	$ 1,436	$ 2,158

(a) Other finance and insurance includes GAP insurance, excess wear and tear and other ancillary products.

Dealers who receive wholesale financing are eligible for wholesale insurance incentives, such as automatic eligibility and increased financial incentives within our rewards programs.

Underwriting and Risk Management

We determine the premium pricing for our vehicle service contracts and rates for our insurance policies based upon an analysis of expected losses using historical experience and anticipated future trends. For example,

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in pricing our vehicle service contracts, we make assumptions as to the price of replacement parts and repair labor rates in the future.

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to automotive service contracts, assumptions include the quality of the vehicles produced and new model introductions.

In some instances, ceded reinsurance is used to reduce the risk associated with volatile businesses, such as catastrophe risk in U.S. dealer vehicle inventory insurance or smaller businesses, such as Canadian automobile or European-dealer vehicle inventory insurance. Our commercial products business is covered by traditional catastrophe protection, aggregate stop loss protection, and an extension of catastrophe coverage for hurricane events. In addition, loss control techniques, such as hail nets or storm path monitoring to assist dealers in preparing for severe weather, help to mitigate loss potential.

We mitigate losses by the active management of claim settlement activities using experienced claims personnel and the evaluation of current period reported claims. Losses for these events may be compared to prior claims experience, expected claims, or loss expenses from similar incidents to assess the reasonableness of incurred losses.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

	September 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Cash			
Noninterest-bearing cash	$ 23	$ 28	$ 17
Interest-bearing cash	1,213	1,168	104
Total cash	1,236	1,196	121
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	377	219	198
States and political subdivisions			806
Foreign government	823	744	844
Mortgage-backed	635	826	462
Asset-backed	102	11	58
Corporate debt	1,195	1,559	1,354
Other debt	19		261
Total debt securities	3,151	3,359	3,983
Equity securities	1,107	796	671
Total available-for-sale securities	4,258	4,155	4,654
Total cash and securities	$ 5,494	$ 5,351	$ 4,775

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Loss Reserves

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. These reserves are based on various estimates and assumptions and are maintained both for business written on a current basis and policies written and fully earned in prior years to the extent there continues to be outstanding and open claims in the process of resolution. Refer to Critical Accounting Estimates and Note 18 to the Consolidated Financial Statements for further discussion. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

Results of Operations

The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other operating segments.

First Nine Months 2011 Compared to First Nine Months 2010

	Nine months ended September 30,		
	2011	2010	Favorable/ (unfavorable)
	($ in millions)		% change
Insurance premiums and other income			
Insurance premiums and service revenue earned	$ 1,274	$ 1,391	(8)
Investment income	197	316	(38)
Other income	48	54	(11)
Total insurance premiums and other income	1,519	1,761	(14)
Expense			
Insurance losses and loss adjustment expenses	593	638	7
Acquisition and underwriting expense			
Compensation and benefits expense	89	87	(2)
Insurance commissions expense	382	456	16
Other expenses	134	175	23
Total acquisition and underwriting expense	605	718	16
Total expense	1,198	1,356	12
Income from continuing operations before income tax expense	$ 321	$ 405	(21)
Total assets	$ 8,215	$ 8,796	(7)
Insurance premiums and service revenue written	$ 1,250	$ 1,242	1
Combined ratio (a)	91.3%	94.1%	

(a) Management uses combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% that is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of $321 million for the nine months ended September 30, 2011, compared to $405 million for the nine months ended September 30, 2010. The decrease for the nine months ended

September 30, 2011 was primarily attributable to lower realized investment gains.

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Insurance premiums and service revenue earned decreased 8% for the nine months ended September 30, 2011, compared to the same period in 2010, primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled $197 million for the nine months ended September 30, 2011, compared to $316 million for the same period in 2010. The decrease was driven by lower realized investment gains.

Insurance losses and loss adjustment expenses totaled $593 million for the nine months ended September 30, 2011, compared to $638 million for the nine months ended September 30, 2010. The decrease was primarily due to lower frequency and severity experienced at our international business and the sale of certain international insurance operations during the fourth quarter of 2010. The decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 16% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products corresponding with our decrease in earned premiums.

	Year ended December 31,			Favorable/ (unfavorable)	
	2010	2009	2008	2010-2009	2009-2008
	($ in millions)			(% change)	
Insurance premiums and other income					
Insurance premiums and service revenue earned	$ 1,836	$ 1,933	$ 2,666	(5)	(27)
Investment income	451	266	112	70	138
Other income	73	72	183	1	(61)
Total insurance premiums and other income	2,360	2,271	2,961	4	(23)
Expense					
Insurance losses and loss adjustment expenses	840	875	1,311	4	33
Acquisition and underwriting expense					
Compensation and benefits expense	117	136	156	14	13
Insurance commissions expense	601	654	821	8	20
Other expenses	233	277	174	16	(59)
Total acquisition and underwriting expense	951	1,067	1,151	11	7
Total expense	1,791	1,942	2,462	8	21
Income from continuing operations before income tax expense	$ 569	$ 329	$ 499	73	(34)
Total assets	$ 8,789	$ 10,614	$ 12,013	(17)	(12)
Insurance premiums and service revenue written	$ 1,588	$ 1,436	$ 2,158	11	(33)
Combined ratio (a)	94.1%	97.0%	89.1%		

(a) Management uses combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

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2010 Compared to 2009

Our Insurance operations earned income from continuing operations before income tax expense of $569 million for the year ended December 31, 2010, compared to $329 million for the year ended December 31, 2009. The increase was primarily due to higher realized investment gains driven by overall market improvement and reduced expenses.

Insurance premiums and service revenue earned was $1.8 billion for the year ended December 31, 2010, compared to $1.9 billion in 2009. Insurance premiums and service revenue earned decreased primarily due to lower earnings from our U.S. extended service contracts due to a decrease in domestic written premiums related to lower vehicle sales volume from 2007 to 2009. The decrease was partially offset by increased volume in our international operations.

Investment income totaled $451 million for the year ended December 31, 2010, compared to $266 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning. During the year ended December 31, 2009, we realized other-than-temporary impairments of $55 million. The increase in investment income was also slightly offset by reductions in the average size of the investment portfolio throughout the year and a decrease in the average security investment yield. The fair value of the investment portfolio was $4.2 billion and $4.7 billion at December 31, 2010 and 2009, respectively.

Acquisition and underwriting expense decreased 11% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower expenses in our U.S. dealership-related products matching our decrease in earned premiums. The decrease was partially offset by increased expenses within our international operations to match the increase in earned premiums.

Insurance premiums and service revenue written was $1.6 billion for the year ended December 31, 2010, compared to $1.4 billion in 2009. Insurance premiums and service revenue written increased due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected loss pattern. As such, the majority of earnings from vehicle service contracts written during the year ended December 31, 2010, will be recognized as income in future periods.

2009 Compared to 2008

Our Insurance operations earned income from continuing operations before income tax expense of $329 million for the year ended December 31, 2009, compared to $499 million for 2008. Income from continuing operations before income tax expense decreased primarily due to unfavorable underwriting results, principally driven by decreases in premiums earned, and a $93 million gain on the sale of our U.S. reinsurance agency in 2008. These negative impacts were offset by higher realized investment gains during 2009 compared to realized investment losses taken in 2008.

Insurance premiums and service revenue earned decreased 27% for the year ended December 31, 2009, compared to 2008. Insurance premiums and service revenue earned decreased primarily due to the sale of our U.S. reinsurance agency in November 2008. Additionally, decreases were recognized due to lower earned premiums on extended service contracts written in 2009 and prior periods, lower dealer inventory levels, and decreases in international operations. These decreases were primarily due to the overall negative economic environment.

Investment income totaled $266 million for the year ended December 31, 2009, compared to $112 million in 2008. Investment income increased primarily due to the recognition of $79 million of realized capital gains during 2009 compared to $139 million of realized capital losses in 2008, which were driven by unfavorable investment market volatility. The increase was offset by a reduction in the size of the investment portfolio primarily driven by the sale of our U.S. reinsurance agency. The value of the investment portfolio was $4.7 billion and $5.1 billion at December 31, 2009 and 2008, respectively. Additionally, during the year ended December 31, 2009, other-than-temporary impairments of $55 million were recognized on certain investment securities due to unfavorable market conditions.

Other income totaled $72 million for the year ended December 31, 2009, compared to $183 million in 2008. The decrease was primarily due to a $93 million gain recognized in 2008 related to the sale of our U.S. reinsurance agency.

Insurance losses and loss adjustment expenses decreased 33% for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the sale of our U.S. reinsurance agency and lower loss experience in our dealership-related products as a result of lower volumes.

Acquisition and underwriting expense decreased 7% for the year ended December 31, 2009, compared to 2008. The decrease was primarily due to the sale of our U.S. reinsurance agency and lower volumes, which was partially offset by an increase in corporate overhead allocations.

Mortgage

Our Mortgage operations include the ResCap legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. Results for our Mortgage operations are presented by reportable segment, which includes our Origination and Servicing operations and our Legacy Portfolio and Other operations.

Loan Production

U.S. Mortgage Loan Production Channels

We have two primary channels for residential mortgage loan production: the origination of loans through our direct-lending network and the purchase of loans in the secondary market (primarily from Ally Bank correspondent lenders).

Correspondent lender and secondary market purchases Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs. On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel. See Note 25 to the Condensed Consolidated Financial Statements for additional information.

Direct-lending network Our direct-lending network consists of internet (including through the ditech.com brand) and telephone-based call center operations as well as our virtual retail network. During 2009 and 2010, virtually all of the residential mortgage loans of this channel are brokered to Ally Bank.

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The following tables summarize domestic consumer mortgage loan production by channel for our Origination and Servicing operations.

	Nine months ended September 30, 2011 No. of loans	2011 Dollar amount of loans	2010 No. of loans	2010 Dollar amount of loans
		($ in millions)		
Correspondent lender and secondary market purchases	143,893	$ 33,017	176,319	$ 40,683
Direct lending	24,620	4,763	26,034	5,478
Mortgage brokers	6,680	1,998	607	146
Total U.S. production	175,193	$ 39,778	202,960	$ 46,307

	Year ended December 31, 2010 No. of loans	2010 Dollar amount of loans	2009 No. of loans	2009 Dollar amount of loans	2008 No. of loans	2008 Dollar amount of loans
			($ in millions)			
Correspondent lender and secondary market purchases	263,963	$ 61,465	260,772	$ 56,042	166,885	$ 35,579
Direct lending	36,064	7,586	42,190	8,524	35,044	6,249
Mortgage brokers	2,035	491	607	165	1,200	292
Total U.S. production	302,062	$ 69,542	303,569	$ 64,731	203,129	$ 42,120

The following table summarizes the composition of our domestic consumer mortgage loan production for our Origination and Servicing operations.

	Year ended December 31, 2010 No. of loans	2010 Dollar amount of loans	2009 No. of loans	2009 Dollar amount of loans	2008 No. of loans	2008 Dollar amount of loans
			($ in millions)			
Ally Bank	300,738	$ 69,320	299,302	$ 64,001	163,868	$ 34,980
ResCap	1,324	222	4,267	730	39,261	7,140
Total U.S. production	302,062	$ 69,542	303,569	$ 64,731	203,129	$ 42,120

Mortgage Loan Production by Type

Consistent with our focus on GSE loan products, we primarily originate prime conforming and government-insured residential mortgage loans. In addition, we originate and purchase high-quality nonconforming jumbo loans, mostly from correspondent lenders, for the Ally Bank held-for-investment portfolio. Our mortgage loans are categorized as follows.

Prime conforming mortgage loans Prime credit quality first-lien mortgage loans secured by single- family residences that meet or conform to the underwriting standards established by the GSEs for inclusion in their guaranteed mortgage securities programs.

Prime nonconforming mortgage loans Prime credit quality first-lien mortgage loans secured by single-family residences that either (1) do not conform to the underwriting standards established by the GSEs because they had original principal amounts exceeding GSE limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.

Prime second-lien mortgage loans Open- and closed-end mortgage loans secured by a second or more junior-lien on single-family residences, which include home equity mortgage loans and lines of credit.

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Government mortgage loans First-lien mortgage loans secured by single-family residences that are insured by the Federal Housing Administration (the FHA) or guaranteed by the Veterans Administration (the VA).

Nonprime mortgage loans First-lien and certain junior-lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as subprime, as well as high combined loan-to-value second-lien loans that fell out of our standard loan programs due to noncompliance with one or more criteria.

International loans Consumer mortgage loans originated in Canada and Mexico.

Mortgage loan production for our Origination and Servicing operations was $40.7 billion for the nine months ended September 30, 2011, compared to $47.3 billion for the same period in 2010. Domestic loan production decreased $6.5 billion, or 14%, for the nine months ended September 30, 2011, compared to the same period in 2010. International loan production decreased $15 million, or 2%, for the nine months ended September 30, 2011, compared to the same period in 2010. International mortgage loan production represents high-quality government-insured residential mortgages in Canada.

The following tables summarize consumer mortgage loan production by type for our Origination and Servicing operations.

	Nine months ended September 30,			
	2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
	($ in millions)			
Prime conforming	149,526	$ 33,858	144,280	$ 33,676
Prime nonconforming	1,350	1,143	1,415	1,196
Prime second-lien				
Government	24,317	4,777	57,265	11,435
Nonprime				
Total U.S. production	175,193	39,778	202,960	46,307
International production	4,668	969	5,264	984
Total production	179,861	$ 40,747	208,224	$ 47,291

	Year ended December 31,					
	2010		2009		2008	
	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
	($ in millions)					
Prime conforming	228,936	$ 53,721	164,780	$ 37,651	134,853	$ 29,711
Prime nonconforming	1,837	1,548	1,236	992	3,245	1,425
Prime second-lien			3	1	6,335	478
Government	71,289	14,273	137,550	26,087	58,696	10,506
Nonprime						
Total U.S. production	302,062	69,542	303,569	64,731	203,129	42,120
International production (a)	7,674	1,501	7,955	1,362	10,879	2,038

Total production	309,736	$ 71,043	311,524	$ 66,093	214,008	$ 44,158

(a) International mortgage loan production represents high-quality government-insured residential mortgages in Canada.

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U.S. Warehouse Lending

We are a provider of warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enable lenders and originators to finance residential mortgage loans until they are sold in the secondary mortgage loan market. We provide warehouse-lending facilities principally for prime conforming and government mortgage loans. We have continued to refine our warehouse-lending portfolio, offering such lending only to current Ally Bank correspondent clients. Advances under warehouse-lending facilities are collateralized by the underlying mortgage loans and bear interest at variable rates. At December 31, 2010, we had total warehouse line of credit commitments of $2.9 billion, against which we had $1.5 billion of advances outstanding. We also have $42 million of warehouse-lending receivables outstanding related to other offerings at December 31, 2010. We purchased approximately 44% of the mortgage loans financed by our warehouse-lending facilities in 2010.

Loans Outstanding

Consumer mortgage loans held-for-sale for our Origination and Servicing operations were as follows.

	September 30, 2011	December 31, 2010	2009
		($ in millions)	
Prime conforming	$ 2,520	$ 5,585	$ 3,455
Prime nonconforming			1
Prime second-lien			
Government (a)	3,336	3,434	3,878
Nonprime			
International	507	351	49
Total	6,363	9,370	7,383
Net premiums	83	135	88
Fair value option election adjustment	67	(61)	23
Lower-of-cost or fair value adjustment	(5)	(2)	(6)
Total, net	$ 6,508	$ 9,442	$ 7,488

(a) Includes loans subject to conditional repurchase options of $2.4 billion, $2.3 billion and $1.7 billion sold to Ginnie Mae guaranteed securitizations at September 30, 2011, December 31, 2010 and 2009, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

Consumer mortgage loans held-for-investment for our Origination and Servicing operations were as follows.

	September 30, 2011	December 31, 2010	2009
		($ in millions)	
Prime conforming	$	$	$
Prime nonconforming	2,622	2,068	947
Prime second-lien			
Government			
Nonprime			
International	231	289	316
Total	2,853	2,357	1,263
Net premiums	16	11	4
Fair value option election adjustment			

Allowance for loan losses	(15)	(14)	(33)
Total, net	$ 2,854	$ 2,354	$ 1,234

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Consumer mortgage loans held-for-sale for our Legacy Portfolio and Other operations were as follows.

	September 30, 2011	December 31, 2010	December 31, 2009
	($ in millions)		
Prime conforming	$ 317	$ 336	$ 314
Prime nonconforming	621	674	1,220
Prime second-lien	554	634	775
Government	17	18	37
Nonprime	594	637	978
International	21	13	575
Total (a)	2,124	2,312	3,899
Net discounts	(300)	(296)	(407)
Fair value option election adjustment	(24)	(1)	
Lower-of-cost or fair value adjustment	(54)	(46)	(113)
Total, net (b)	$ 1,746	$ 1,969	$ 3,379

(a) Includes unpaid principal balance write-downs of $1.6 billion, $1.8 billion and $3.6 billion at September 30, 2011, December 31, 2010 and 2009, respectively. The amounts are for write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(b) Includes loans subject to conditional repurchase options of $116 million, $146 million and $237 million sold to off-balance sheet private-label securitizations at September 30, 2011, December 31, 2010 and 2009, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

Consumer mortgage loans held-for-investment for our Legacy Portfolio and Other operations were as follows.

	September 30, 2011	December 31, 2010	December 31, 2009
	($ in millions)		
Prime conforming	$ 289	$ 323	$ 386
Prime nonconforming	5,415	6,059	7,301
Prime second-lien	2,301	2,642	3,201
Government			
Nonprime	1,404	1,583	6,055
International	434	573	9
Total	9,843	11,180	16,952
Net premiums	20	26	95
Fair value option election adjustment	(1,698)	(1,890)	(5,789)
Allowance for loan losses	(495)	(542)	(607)
Total, net (a)	$ 7,670	$ 8,774	$ 10,651

(a)

At September 30, 2011, December 31, 2010 and 2009, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $841 million, $1.0 billion and $1.5 billion, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

ASU 2009-17 became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. The adoption on day one resulted

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in $1.2 billion in off-balance sheet consumer mortgage loans being brought on-balance sheet. Refer to Note 1 to the Consolidated Financial Statements for further information regarding the adoption of ASU 2009-17.

Mortgage Loan Servicing

While we sell most of the residential mortgage loans we originate or purchase, we generally retain the rights to service these loans. The retained mortgage servicing rights consist of primary and master-servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. When we act as master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing primary and master-servicing functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to Critical Accounting Estimates for further discussion.

The following table summarizes the primary consumer mortgage loan-servicing portfolio.

	December 31, 2010		2009		2008	
	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans ($ in millions)	No. of loans	Dollar amount of loans
On-balance sheet mortgage loans Held-for-sale and held-for-investment	222,469	$ 20,224	276,996	$ 26,333	284,321	$ 21,153
Operations held-for-sale			17,260	3,160	19,879	5,932
Off-balance sheet mortgage loans						
Loans sold to third-party investors Nonagency	421,416	63,685	489,258	71,505	701,369	91,654
GSEs	1,531,075	255,388	1,437,896	231,310	1,395,283	221,977
Whole-loan	123,490	17,524	147,385	21,120	198,490	27,585
Purchased servicing rights	76,262	3,946	88,516	4,800	124,536	7,300
Operations held-for-sale			82,978	17,526	89,630	18,187
Total primary mortgage loan-servicing portfolio (a)	2,374,712	$ 360,767	2,540,289	$ 375,754	2,813,508	$ 393,788

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled 115,701 with an unpaid principal balance of $24.2 billion at December 31, 2010; 129,954 with an unpaid balance of $28.7 billion at December 31, 2009; and 164,938 with an unpaid principal balance of $35.5 billion at December 31, 2008.

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The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

	September 30, 2011	December 31, 2010	2009	2008
		($ in millions)		
U.S. primary servicing portfolio				
Prime conforming	$ 228,394	$ 220,762	$ 210,914	$ 225,142
Prime nonconforming	48,979	52,643	58,103	67,034
Prime second-lien	7,216	10,851	14,729	24,260
Government	49,102	48,550	40,230	20,323
Nonprime	21,512	22,874	25,837	28,275
International primary servicing portfolio	5,695	5,087	25,941	28,754
Total primary mortgage loan-servicing portfolio(a)	$ 360,898	$ 360,767	$ 375,754	$ 393,788

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $25.1 billion, $24.2 billion, $28.7 billion and $35.5 billion at September 30, 2011, and December 31, 2010, 2009 and 2008, respectively.

Temporary Suspension of Mortgage Foreclosure Sales and Evictions and Consent Order

Refer to Note 24 to the Condensed Consolidated Financial Statements for information related to this matter.

Origination and Servicing Operations

Results of Operations

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

	Nine months ended September 30, 2011	2010	Favorable/ (unfavorable) (% change)
	($ in millions)		
Net financing loss			
Total financing revenue and other interest income	$ 346	$ 325	6
Interest expense	398	349	(14)
Net financing loss	(52)	(24)	(117)
Servicing fees	953	1,002	(5)
Servicing asset valuation and hedge activities, net	(663)	(181)	n/m
Total servicing income, net	290	821	(65)
Gain on mortgage loans, net	174	402	(57)
Other income, net of losses	151	191	(21)

Total other revenue	615	1,414	(57)
Total net revenue	563	1,390	(59)
Provision for loan losses	1	(29)	(103)
Noninterest expense			
Compensation and benefits expense	205	200	(3)
Representation and warranty expense		8	100
Other operating expenses	548	466	(18)
Total noninterest expense	753	674	(12)
Income before income tax expense	$ (191)	$ 745	(126)
Total assets	$ 24,731	$ 25,381	(4)

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First Nine Months 2011 Compared to First Nine Months 2010

Our Origination and Servicing operations incurred losses before income tax expense of $191 million for the nine months ended September 30, 2011, compared to income before income tax expense of $745 million for the nine months ended September 30, 2010. The decrease was primarily driven by unfavorable servicing asset valuation, net of hedge and lower net gains on the sale of mortgage loans.

Net financing losses were $52 million for the nine months ended September 30, 2011, compared to a net financing loss of $24 million for the same period in 2010. The increase in net financing loss for the nine months ended September 30, 2011, was primarily due to higher funding costs and slightly unfavorable interest expense on Ginnie Mae repurchases.

Total servicing income, net was $290 million for the nine months ended September 30, 2011, compared to income of $821 million for the same period in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010.

The net gain on mortgage loans decreased 57% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease during 2011 was primarily due to lower margins and production.

Other income, net of losses, was $151 million for the nine months ended September 30, 2011, compared to $191 million for the same period in 2010. The decrease in other income during the nine months ended September 30, 2011, was primarily related to the write-down of certain retained interests and lower mortgage processing fee income resulting from lower origination volume due to lower industry volume.

The provision for loan losses increased $30 million for the nine months ended September 30, 2011, compared to the same period in 2010. The increase during the nine months ended September 30, 2010, resulted from a release of reserves during 2010.

Total noninterest expense increased 12% for the nine months ended September 30, 2011, compared to the same period in 2010. The increases for the period was driven by higher loan processing and underwriting fees.

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	Year ended December 31, 2010	2009	2008	Favorable/ (unfavorable) 2010-2009	2009-2008
	($ in millions)			(% change)	
Net financing loss					
Total financing revenue and other interest income	$ 460	$ 362	$ 484	27	(25)
Interest expense	486	420	633	(16)	34
Net financing loss	(26)	(58)	(149)	55	61
Servicing fees	1,340	1,322	1,456	1	(9)
Servicing asset valuation and hedge activities, net	(394)	(1,113)	(277)	65	n/m
Total servicing income, net	946	209	1,179	n/m	(82)
Gain on mortgage loans, net	616	708	324	(13)	119
Other income, net of losses	272	146	(222)	86	166
Total other revenue	1,834	1,063	1,281	73	(17)
Total net revenue	1,808	1,005	1,132	80	(11)
Provision for loan losses	(29)	41	8	171	n/m
Noninterest expense					
Compensation and benefits expense	267	286	162	7	(77)
Representation and warranty expense	(22)	32		169	n/m
Other operating expenses	675	607	500	(11)	(21)
Total noninterest expense	920	925	662	1	(40)
Income before income tax expense	$ 917	$ 39	$ 462	n/m	(92)
Total assets	$ 24,478	$ 20,010	$ 11,870	22	69

n/m = not meaningful

2010 Compared to 2009

Our Origination and Servicing operations earned income before income tax expense of $917 million for the year ended December 31, 2010, compared to $39 million for the year ended December 31, 2009. The 2010 results were primarily driven by strong production and margins as a result of increased refinancings, higher net servicing income, lower provision for loan losses, and lower noninterest expense.

Net financing loss was $26 million for the year ended December 31, 2010, compared to $58 million in 2009. During 2010, net financing loss was favorably impacted by an increase in interest income primarily due to an increase in the average balance driven by an increase in our jumbo mortgage loan originations, which we resumed originating in the middle part of 2009, and a larger average loans held-for-sale portfolio due to an increase in production. Partially offsetting the increase was higher interest expense driven primarily by higher borrowings due to increased production and higher cost of funds.

Net servicing income was $946 million for the year ended December 31, 2010, compared to $209 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher HAMP loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

The net gain on mortgage loans was $616 million for the year ended December 31, 2010, compared to $708 million in 2009. The decrease was primarily due to unfavorable mark-to-market movement on the mortgage pipeline and a favorable mark-to-market taken in 2009 on released lower-of-cost or market adjustments related to implementation of fair value accounting on the held-for-sale portfolio.

Other income, net of losses, increased 86% for the year ended December 31, 2010, compared to 2009, primarily due to favorable mortgage processing fees related to the absence of loan origination income deferral in 2010 due to the fair value option election for our held-for-sale loans during the third quarter of 2009.

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Total noninterest expense decreased 1% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower representation and warranty expense, a decrease in compensation and benefits expense related to lower headcount, and a decrease in professional services expense.

2009 Compared to 2008

Our Origination and Servicing operations earned income before income tax expense of $39 million for the year ended December 31, 2009, compared to $462 million for the year ended December 31, 2008. Results in 2009 were impacted by unfavorable mortgage servicing valuations, net of hedge, partially offset by improved margins on conforming and government-insured residential mortgage loans sales, a slower pace of decline in the home prices, and lower interest expense related to a declining interest rate environment.

Net financing loss was $58 million for the year ended December 31, 2009, compared to $149 million in 2008. Interest expense declined at a faster rate than financing revenue and other interest income reflecting the favorable cost of funding impacts resulting from a declining interest rate environment and reduced reliance on higher rate unsecured debt. Partially offsetting the favorability was a decrease in interest income related to a lower LIBOR rate on interest-bearing cash balances and a decrease in trading securities interest income due to the runoff of trading positions in early 2009.

Net servicing income was $209 million for the year ended December 31, 2009, compared to $1.2 billion in 2008. The decrease was due to unfavorable mortgage servicing valuations reflecting reduced cash flows and increased prepayment assumptions resulting from lower market mortgage interest rates as compared to favorable 2008 valuations due to decreasing prepayment trends in 2008. Additionally, we recognized unfavorable hedge performance due to changes in the spreads between our servicing assets and the derivatives used to manage our interest rate risk. Our ability to fully hedge interest rate risk and volatility was restricted during the latter half of 2008 and early 2009 by the limited availability of willing counterparties to enter into forward agreements and liquidity constraints hindering our ability to take positions in the option markets. Servicing fees also declined as a result of portfolio runoff and the sales of certain servicing assets during the second half of 2008.

Gain on mortgage loans, net, was $708 million for the year ended December 31, 2009, compared to $324 million in 2008. In 2009, we recognized improved margins due to shifts in our product mix to conforming and government-insured residential mortgage loan securitizations guaranteed by the GSEs. Contributing to the increase was higher commitment volume due to increased market size as a result of lower mortgage rates.

Other income, net of losses, was $146 million for the year ended December 31, 2009, compared to a loss of $222 million in 2008. The increase in income was primarily due to lower losses on the sale of servicing advances and higher mortgage processing fees due to higher production and loan fees as a result of a change in product mix.

Total noninterest expense increased 40% during the year ended December 31, 2009, compared to 2008. The increase resulted primarily from higher corporate overhead allocations related to a change in the allocation methodology and the build-out of new corporate functions, an increase in representation and warranty expense, and higher compensation and benefits expense due to the elimination of our loan origination deferral upon election of the fair value option for our held-for-sale loans during the third quarter of 2009. The increase was partially offset by lower advertising expense due to cost reduction initiatives.

Legacy Portfolio and Other Operations

Results of Operations

The following table summarizes the operating results for our Legacy Portfolio and Other operations excluding discontinued operations for the periods shown. Our Legacy Portfolio and Other operations primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities, portfolios in

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runoff, our mortgage reinsurance business, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; and purchasing, selling, and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally.

	Nine months ended September 30, 2011	Nine months ended September 30, 2010	Favorable/ (unfavorable) (% change)
	($ in millions)		
Net financing revenue			
Total financing revenue and other interest income	$ 605	$ 1,068	(43)
Interest expense	384	561	32
Net financing revenue	221	507	(56)
Servicing fees	(4)	(7)	43
Servicing asset valuation and hedge activities, net			
Total servicing income, net	(4)	(7)	43
Gain on mortgage loans, net	59	244	(76)
Other income, net of losses	(63)	(93)	32
Total other revenue	(8)	144	(106)
Total net revenue	213	651	(67)
Provision for loan losses	114	150	24
Noninterest expense			
Compensation and benefits expense	93	58	(60)
Representation and warranty expense	279	482	42
Other operating expenses	51	166	69
Total noninterest expense	423	706	40
(Loss) income from continuing operations before income tax expense	$ (324)	$ (205)	(58)
Total assets	$ 10,771	$ 15,582	(31)

n/m = not meaningful

First Nine Months 2011 Compared to First Nine Months 2010

Our Legacy Portfolio and Other operations incurred losses from continuing operations before income tax expense of $324 million for the nine months ended September 30, 2011, compared to losses from continuing operations before income tax expense of $205 million for the nine months ended September 30, 2010. The losses during 2011 were favorably impacted by lower representation and warranty expense. Offsetting the improvement during the nine months ended September 30, 2011, were lower financing revenue related to a decrease in asset levels and a lower net gain on the sale of mortgage loans.

Net financing revenue was $221 million for the nine months ended September 30, 2011, compared to $507 million for the same period in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $59 million for the nine months ended September 30, 2011, compared to $244 million for the same period in 2010. The decrease during 2011 was primarily due to lower whole-loan sales and mortgage loan resolutions.

Other income, net of losses, was a loss of $63 million for the nine months ended September 30, 2011, compared to a loss of $93 million for the same period in 2010. The improvement for the nine months ended

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September 30, 2011, compared to the same period in 2010, was primarily due to a lower fair value adjustment and better performance of the remaining asset portfolio. This favorability was partially offset by lower gains on real estate-owned properties.

The provision for loan losses was $114 million for the nine months ended September 30, 2011, compared to $150 million for the same period in 2010. The provision for the nine month period ended September 30, 2011, reflected improved credit performance.

Total noninterest expense decreased 40% for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease was primarily driven by lower representation and warranty expense in 2011 as 2010 included a significant increase in expense to cover anticipated repurchase requests. Additionally, the nine months ended September 30, 2011, was favorably impacted by lower real estate-owned expense due to fewer foreclosures, favorable average real estate-owned values, and lower taxes and expense related to real estate-owned properties. Although representation and warranty expense decreased compared to 2010, the decrease in noninterest expense was partially offset by a $121 million representation and warranty expense during the three months ended June 30, 2011, for certain securitized mortgages for which mortgage insurance was rescinded.

	Year ended December 31,			Favorable/ (unfavorable)	
	2010	2009	2008	2010-2009	2009-2008
	($ in millions)			(% change)	
Net financing revenue					
Total financing revenue and other interest income	$ 1,332	$ 1,559	$ 2,538	(15)	(39)
Interest expense	727	933	2,028	22	54
Net financing revenue	605	626	510	(3)	23
Servicing fees	(8)	(10)	(4)	20	(150)
Servicing asset valuation and hedge activities, net		9	14	(100)	(36)
Total servicing income, net	(8)	(1)	10	n/m	(110)
Gain (loss) on mortgage loans, net	380	(40)	(609)	n/m	93
Gain on extinguishment of debt		4	1,875	(100)	(100)
Other income, net of losses	(112)	(648)	(1,108)	83	42
Total other revenue (expense)	260	(685)	168	138	n/m
Total net revenue (expense)	865	(59)	678	n/m	(109)
Provision for loan losses	173	4,231	1,682	96	(152)
Noninterest expense					
Compensation and benefits expense	73	112	634	35	82
Representation and warranty expense	692	1,453	242	52	n/m
Other operating expenses	181	449	1,190	60	62
Total noninterest expense	946	2,014	2,066	53	3
Loss from continuing operations before income tax expense	$ (254)	$ (6,304)	$ (3,070)	96	(105)
Total assets	$ 12,308	$ 18,884	$ 32,893	(35)	(43)

n/m = not meaningful

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2010 Compared to 2009

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of $254 million for the year ended December 31, 2010, compared to $6.3 billion for the year ended December 31, 2009. The 2010 results from continuing operations were primarily driven by the stabilization of our loan portfolio resulting in a decrease in provision for loan losses, lower representation and warranty expense, and gains on the sale of domestic legacy assets.

Net financing revenue was $605 million for the year ended December 31, 2010, compared to $626 million in 2009. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, on-balance deconsolidations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $380 million for the year ended December 31, 2010, compared to a loss of $40 million in 2009. The increase was primarily due to higher gains on loan sales in 2010 compared to 2009, higher gains on loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 11 to the Consolidated Financial Statements for information on the deconsolidation.

Other income, net of losses, was a loss of $112 million for the year ended December 31, 2010, compared to a loss of $648 million in 2009. The improvement from 2009 was primarily related to the recognition of gains on the sale of foreclosed real estate in 2010 compared to losses and impairments in 2009 and impairments and higher losses on trading securities in 2009. Additionally, during the year ended December 31, 2009, we recognized significant impairments on equity investments, lot option projects, and model homes.

The provision for loan losses was $173 million for the year ended December 31, 2010, compared to $4.2 billion in 2009. The provision decreased $4.1 billion due to the improved asset mix as a result of the strategic actions taken during the fourth quarter of 2009 to write down and reclassify certain legacy mortgage loans from held-for- investment to held-for-sale. Additionally, the higher provision in 2009 was driven by significant increases in delinquencies and severity in our domestic mortgage loan portfolio and higher reserves were recognized against our commercial real estate-lending portfolio.

Total noninterest expense decreased 53% for the year ended December 31, 2010, compared to 2009. The decrease was driven by lower representation and warranty expense related to an increase in reserve in 2009 related to higher repurchase demands and loss severity. The decrease was also impacted by a decrease in compensation and benefits expense related to lower headcount and a decrease in professional services expense related to cost reduction efforts. During 2009, our captive reinsurance portfolio experienced deterioration due to higher delinquencies, which drove higher insurance reserves. The decrease in 2010 was partially offset by unfavorable foreign-currency movements on hedge positions.

2009 Compared to 2008

Our Legacy Portfolio and Other operations incurred a net loss from continuing operations before income tax expense of $6.3 billion for the year ended December 31, 2009, compared to $3.1 billion for the year ended December 31, 2008. The 2009 results from continuing operations were driven by our strategic actions taken in the fourth quarter of 2009 to sell certain legacy mortgage assets resulting in the reclassification of these loans from held- for-investment to held-for-sale. These actions resulted in provision for loan losses of $2.0 billion. Refer to Notes to the Consolidated Financial Statements for further information. Results were also adversely impacted by an increase in mortgage representation and warranty reserve expense of $1.2 billion related to higher repurchase demand requests and loss severity.

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Net financing revenue increased 23% for the year ended December 31, 2009, compared to 2008. Interest expense decreased significantly due to a reduction in average borrowings in association with a smaller asset base and through ResCap debt extinguishments. Interest expense declined at a faster rate than financing revenue and other interest income reflecting the favorable cost of funding impacts resulting from a declining interest rate environment and reduced reliance on higher-rate unsecured debt. Our total financing revenue and other interest income decreased significantly in comparison to 2008 due to a decline in legacy mortgage asset levels resulting from asset sales and portfolio runoff. Additionally, we earned lower yields as a result of higher delinquencies, increases in nonaccrual loan levels, and the impact of lower rates on adjustable-rate mortgage loans.

Gain on mortgage loans, net, was a loss of $40 million for the year ended December 31, 2009, compared to a loss of $609 million in 2008. Results in 2008 were significantly impacted by realized losses related to legacy mortgage asset sales and valuation losses on certain held-for-sale assets.

Gain on extinguishment of debt was $4 million for the year ended December 31, 2009, compared to $1.9 billion for the year ended December 31, 2008. The debt extinguishment gains in 2008 included $1.1 billion following our contribution to ResCap of ResCap notes obtained through open-market repurchase (OMR) transactions or debt tender and exchange offerings and $757 million related to the private debt exchange and cash tender offers completed during the fourth quarter of 2008. Refer to Critical Accounting Estimates for further discussion related to the private debt exchange and cash tender offers.

Other income, net of losses, was a loss of $648 million for the year ended December 31, 2009, compared to a loss of $1.1 billion in 2008. The decrease in the loss was driven by lower losses on the sale of foreclosed real estate due to lower volume and severity, the recognition of a $255 million impairment on the resort finance business in 2008, lower impairments on lot option projects and model homes, and lower losses on residual interests due to the write-down of home equity residuals in 2008. The 2009 results were adversely impacted by a $220 million impairment of our equity investments and lower real estate brokerage fee income due to the 2008 sale of our brokerage and relocation services business.

The provision for loan losses was $4.2 billion for the year ended December 31, 2009, compared to $1.7 billion in 2008. The increase in provision expense was primarily related to our strategic actions in the fourth quarter of 2009 as a result of the decision to sell certain legacy mortgage assets resulting in the reclassification of these assets from held-for-investment to held-for-sale. These actions resulted in negative valuation adjustments of $2.0 billion. Additionally, we recognized higher provision expenses on the Ally Bank held-for-investment portfolio due to higher delinquencies and loss severities as well as regulatory input. The increase was partially offset by lower provision for loan losses as a result of lower mortgage loan and lending receivables balances in 2009 compared to 2008.

Total noninterest expense decreased 3% during the year ended December 31, 2009, compared to 2008. The decrease was driven primarily by a decrease in compensation and benefits expense primarily due to lower headcount associated with our restructuring efforts, favorable foreign-currency movements, a reduction in professional fees primarily due to advisory and legal fees related to ResCap s debt restructuring in 2008, and lower severance and other restructuring charges. The decrease was offset significantly by higher representation and warranty reserve expense due to higher repurchase demand requests and loss severity and higher expenses as a result of higher corporate overhead allocations related to a change in allocation methodology and the build-out of new corporate functions.

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Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other includes our Commercial Finance Group, certain equity investments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, as well as, the residual impacts of our corporate FTP and treasury ALM, and reclassifications and eliminations between the reportable operating segments.

	Nine months ended September 30,		
	2011	2010	Favorable/ (unfavorable)
	($ in millions)		(% change)
Net financing loss			
Total financing revenue and other interest income	$ 114	$ 114	
Interest expense			
Original issue discount amortization	784	901	13
Other interest expense	689	768	10
Total interest expense	1,473	1,669	12
Net financing loss	(1,359)	(1,555)	13
Other revenue			
Loss on extinguishment of debt	(64)	(123)	48
Other gain on investments, net	113	111	2
Other income, net of losses	123	(75)	n/m
Total other revenue (expense)	172	(87)	n/m
Total net expense	(1,187)	(1,642)	28
Provision for loan losses	(70)	(42)	67
Noninterest expense			
Compensation and benefits expense	323	441	27
Other operating expense	16	(72)	(122)
Total noninterest expense	339	369	8
Loss from continuing operations before income tax expense	$ (1,456)	$ (1,969)	26
Total assets	$ 32,393	$ 28,637	13

n/m = not meaningful

The following table summarizes the components of net financing losses for Corporate and Other.

($ in millions)	Nine months ended September 30, 2011	2010
Original issue discount amortization (a)	$ (784)	$ (901)
Net impact of the FTP methodology		
Cost of carry on the cash and investment portfolio	(449)	(422)
ALM/FTP cost of funds mismatch	(245)	(207)
Net other unallocated interest income (costs)	40	(123)

Total net impact of the FTP methodology	(654)	(752)
Other (including Commercial Finance Group net financing revenue)	79	98
Total net financing losses for Corporate and Other	$ (1,359)	$ (1,555)

(a) The original issue discount associated with our 2008 bond exchange and cash tender offers in 2008 was $753 million during the nine months ended September 30, 2011, compared to $867 million during the same period in 2010. The remaining amount is attributable to new debt issuance discount amortization.

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The following table presents the scheduled remaining amortization of the original issue discount at September 30, 2011.

	Year ended December 31,						
	2011 (a)	2012	2013	2014 ($ in millions)	2015	2016 and thereafter (b)	Total
Original issue discount							
Outstanding balance	$ 2,193	$ 1,843	$ 1,580	$ 1,390	$ 1,334	$	
Total amortization (c)	141	351	264	190	56	1,333	$ 2,334
2008 bond exchange amortization (d)	133	320	241	166	43	1,178	2,081

(a) Represents the remaining future original issue discount amortization expense to be taken during 2011.

(b) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.

(c) Amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Income.

(d) 2008 bond exchange amortization is included in total amortization.

First Nine Months 2011 Compared to First Nine Months 2010

Loss from continuing operations before income tax expense for Corporate and Other was $1.5 billion for the nine months ended September 30, 2011, compared to $2.0 billion for the nine months ended September 30, 2010. Corporate and Other s loss from continuing operations before income tax expense for the period is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvements in the loss from continuing operations before income tax expense for the nine months ended September 30, 2011, were primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization and an improvement in the net impact of the FTP methodology primarily as a result of a lower cost of carry on the cash and investment portfolio. Additionally, the nine months ended September 30, 2011, was favorably impacted by a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of $50 million for the nine months ended September 30, 2011, compared to $101 million for the nine months ended September 30, 2010), partially offset by unfavorable net derivative activity.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $157 million for the nine months ended September 30, 2011, compared to $158 million for the nine months ended September 30, 2010. The nine months ended September 30, 2011, was impacted by continued improvement in credit quality and a decrease in non-specific loss reserves driven by a decline in the size of the loan portfolio.

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	Year ended December 31, 2010	2009 ($ in millions)	2008	Favorable/ (unfavorable) 2010-2009 (% change)	2009-2008
Net financing loss					
Total financing revenue and other interest income	$ 155	$ (78)	$ 322	n/m	(124)
Interest expense					
Original issue discount amortization	1,204	1,143	70	(5)	n/m
Other interest expense	1,054	1,239	2,362	15	48
Total interest expense	2,258	2,382	2,432	5	2
Depreciation expense on operating lease assets	(4)	1	3	n/m	67
Net financing loss	(2,099)	(2,461)	(2,113)	15	(16)
Other revenue					
(Loss) gain on extinguishment of debt	(123)	661	10,753	(119)	(94)
Other gain (loss) on investments, net	146	85	(239)	72	136
Other income, net of losses	(65)	194	(823)	(134)	124
Total other (expense) revenue	(42)	940	9,691	(104)	(90)
Total net (expense) revenue	(2,141)	(1,521)	7,578	(41)	(120)
Provision for loan losses	(42)	491	10	109	n/m
Noninterest expense					
Compensation and benefits expense	614	405	281	(52)	(44)
Other operating expense	(88)	73	221	n/m	67
Total noninterest expense	526	478	502	(10)	5
(Loss) income from continuing operations before income tax expense	$ (2,625)	$ (2,490)	$ 7,066	(5)	(135)
Total assets	$ 28,561	$ 32,714	$ 31,429	(13)	4

n/m = not meaningful

The following table presents the scheduled remaining amortization of the original issue discount at December 31, 2010.

	Year ended December 31, 2011	2012	2013	2014 ($ in millions)	2015	2016 and thereafter (a)	Total
Original issue discount							
Outstanding balance	$ 2,194	$ 1,844	$ 1,581	$ 1,390	$ 1,333	$	
Total amortization (b)	975	350	263	191	57	1,333	$ 3,169
2008 bond exchange amortization (c)	937	320	241	168	43	1,177	2,886

(a) The maximum annual scheduled amortization for any individual year is $157 million in 2030 of which $151 million is related to 2008 bond exchange amortization.

(b) The amortization is included as interest on long-term debt on the Consolidated Statement of Income.

(c) 2008 bond exchange amortization is included in total amortization.

2010 Compared to 2009

Loss from continuing operations before income tax expense for Corporate and Other was $2.6 billion for the year ended December 31, 2010, compared to $2.5 billion for the year ended December 31, 2009. The losses in 2010 and 2009 were driven by $1.2 billion and $1.1 billion of original issue discount amortization expenses primarily related to our 2008 bond exchange and the net impact of our FTP methodology. The net financing revenue of our Global Automotive Services and Mortgage operations includes the results of a FTP process that

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insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Global Automotive Services and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operation s credit, market, and operational risk components, is used to allocate equity to these operations. The residual net impact of the FTP methodology is realized in our Corporate and Other results. This residual net impact primarily represents the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs, like the results of our ALM activities, as well as any unassigned equity. The unfavorable results for 2010 were also impacted by net derivative activity, higher marketing expenses, and higher FDIC fees. Additionally, we recognized a $123 million loss related to the extinguishment of certain Ally debt, which includes $101 million of accelerated amortization of original issue discount compared to a $661 million gain in the prior year. Partially offsetting the unfavorable results were lower professional and legal fees.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $177 million for the year ended December 31, 2010, compared to a net loss from continuing operations before income tax expense of $537 million for the year ended December 31, 2009. The increase in income was primarily due to significant provision for loan losses in 2009. The $533 million decrease in provision expense from 2009 was driven by lower specific reserves in both the resort finance portfolio and in our European operations. In addition, we recognized a recovery in 2010 from the sale of the resort finance portfolio. Additionally, the favorable variance was impacted by the absence of an $87 million fair value impairment recognized upon transfer of the resort finance portfolio from held-for-sale to held-for-investment during 2009 and lower interest expense related to a reduction in borrowing levels consistent with a lower asset base.

2009 Compared to 2008

Loss from continuing operations before income tax expense for Corporate and Other was $2.5 billion for the year ended December 31, 2009, compared to income from continuing operations before income tax expense of $7.1 billion for the year ended December 31, 2008. The decrease was primarily due to a $10.7 billion pretax gain in 2008 that resulted from the December 2008 private debt exchange offers and cash tender offers. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information related to the private debt exchange and cash tender offers. The 2009 results were favorably impacted by a $634 million gain related to privately negotiated transactions that extinguished certain debt during 2009, a decrease in total noninterest expense primarily due to increased corporate overhead allocation reimbursements, and lower equity investment losses. In 2008, we recognized equity investment net losses of $176 million and a full impairment on an equity investment of $570 million, primarily attributed to the decline in credit market conditions and unfavorable asset revaluations. Additionally, we experienced an increase in the fair value of asset-backed securities due to improvements in credit spreads used to value the notes. The improved credit spreads result from improving conditions in the asset-backed securities market. Interest expense for the year decreased due to lower debt levels and rates, and lower allocated funds-transfer-pricing charges, offset by the amortization of the original issue discount associated with the December 2008 bond exchange.

For the year ended December 31, 2009, our Commercial Finance Group had a loss from continuing operations before income tax expense of $537 million compared to income from continuing operations before income tax expense of $55 million in 2008. The results were primarily impacted by an increase of $481 million in provision for loan losses in the resort finance business and our European operations and the absence of a $29 million gain recognized during July 2008 related to the sale of operations in Poland. The results were also impacted by an $87 million fair value impairment recognized upon transfer of the resort finance business assets from held-for-sale to held-for-investment during 2009. Additionally, we recognized lower fee income and interest expense resulting from lower factored sales volume and lower asset levels.

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Cash and Securities

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

	September 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Cash			
Noninterest-bearing cash	$ 1,425	$ 1,637	$ 1,500
Interest-bearing cash	12,947	7,964	11,241
Total cash	14,372	9,601	12,741
Trading securities			
U.S. Treasury		75	
Mortgage-backed	469	25	45
Asset-backed		93	595
Total trading securities	469	193	640
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	668	3,097	3,285
States and political subdivisions	2	2	5
Foreign government	100	499	
Mortgage-backed	6,032	4,973	2,941
Asset-backed	2,351	1,936	969
Corporate debt			119
Other debt (a)	546	151	(261)
Total debt securities	9,699	10,658	7,058
Equity securities	4		4
Total available-for-sale securities	9,703	10,658	7,062
Total cash and securities	$ 24,544	$ 20,452	$ 20,443

(a) Includes intersegment eliminations.

Risk Management

Managing the risk to reward trade-off is a fundamental component of operating our businesses. Our risk management process is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team monitor potential risks and manage the risk to be within our risk appetite. The primary risks include credit, market, operational, liquidity, and legal and compliance risk.

Credit risk The risk of loss arising from a borrower not meeting its financial obligations to our firm.

Market risk The risk of loss arising from changes in the fair value of our assets or liabilities (including derivatives) caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity and commodity prices.

Operational risk The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.

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- ***Liquidity risk*** The risk of loss arising from the failure to recognize or address changes in market conditions affecting both asset and liability flows (see Liquidity Management, Funding, and Regulatory Capital).

- ***Legal and compliance risk*** The risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations.

While risk oversight is ultimately the responsibility of the Board, our governance structure starts within each line of business where committees are established to oversee risk in their respective areas. The lines of business are responsible for executing on risk strategies, policies, and controls that are compliant with global risk management policies and with applicable laws and regulations. The line of business risk committees, which report to various global risk committees, monitor the performance within each portfolio and determine whether to amend any credit risk practices based upon portfolio trends.

In addition, the Global Risk Management and Compliance organizations are accountable for independently monitoring, measuring, and reporting on the various risks. They are also responsible for monitoring that risk remains within the tolerances established by the Board, developing and maintaining policies, and implementing risk management methodologies.

All lines of business and global functions are subject to full and unrestricted audits by Corporate Audit. Corporate Audit reports to the Ally Audit Committee and is primarily responsible for assisting the Audit Committee in fulfilling its governance and oversight responsibilities. Corporate Audit is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

In addition, our Global Loan Review Group provides an independent assessment of the quality of Ally s credit risk portfolios and credit risk management practices. This group reports its findings directly to the Ally Risk and Compliance Committee, which includes independent members of the Board. The findings of this group help to strengthen our risk management practices and processes throughout the organization.

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Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

	September 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Finance receivables and loans			
Global Automotive Services	$ 94,421	$ 86,888	$ 60,021
Mortgage operations	12,752	13,423	14,555
Corporate and Other	1,539	2,102	3,125
Total finance receivables and loans	108,712	102,413	77,701
Held-for-sale loans			
Global Automotive Services	464		9,601
Mortgage operations	8,254	11,411	10,867
Corporate and Other	27		157
Total held-for-sale loans	8,745	11,411	20,625
Total on-balance sheet loans	$ 117,457	$ 113,824	$ 98,326
Off-balance sheet securitized loans			
Global Automotive Services	$	$	$ 7,475
Mortgage operations	329,834	326,830	332,982
Corporate and Other			
Total off-balance sheet securitized loans	$ 329,834	$ 326,830	$ 340,457
Operating lease assets			
Global Automotive Services	$ 9,052	$ 9,128	$ 15,994
Mortgage operations			
Corporate and Other			1
Total operating lease assets	$ 9,052	$ 9,128	$ 15,995
Serviced loans and leases			
Global Automotive Services	$ 119,792	$ 115,358	$ 113,661
Mortgage operations (a)	360,898	360,767	375,754
Corporate and Other	2,514	2,448	3,282
Total serviced loans and leases	$ 483,204	$ 478,573	$ 492,697

(a) Includes primary mortgage loan-servicing portfolio only.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy and its impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of the automobile loans that we originate as they complement our core business model. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Loans that we do not intend to retain are sold to investors, primarily securitizations guaranteed by the GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure.

Finance receivables and loans Loans that we have the intent and ability to hold for the foreseeable future or to maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications), and optimizing our product and geographic concentrations. Additionally, we have elected to carry certain mortgage loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and are reflected in current period earnings. We use market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

Held-for-sale loans Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower-of-cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Additionally, for mortgage, we provide representations and warranties to the purchaser or facility regarding the characteristics of the underlying transferred assets. We estimate the fair value of our liability for representations and warranties when we sell loans and update our estimate quarterly. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

Off-balance sheet securitized loans Loans that we transferred off-balance sheet to variable interest entities. While these loans are not consolidated on our balance sheet, we typically retain an interest in these loans. The interests retained in the financial asset transfers are recorded at the estimated fair value and are generally classified as trading securities or other assets at fair value. Changes in the fair value of retained interests are recorded as valuation adjustments and reported through earnings. Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

Operating lease assets The net book value of the automobile assets we lease are based on the expected residual value upon remarketing the vehicle at the end of the lease. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable change in the value of the recorded asset. We are exposed to the fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such, we manage the risks of these exposures at inception by setting minimum lease standards for projected residual values. We periodically receive support from automotive manufacturers for certain residual deficiencies. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

Serviced loans and leases Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off our balance sheet. For our mortgage servicing rights, we record an asset or liability (at fair value) based on whether the expected servicing benefits will exceed the expected servicing costs. Changes in the fair value of the mortgage servicing rights are recognized in current period earnings. We also service consumer automobile loans. We do not record servicing rights assets or liabilities for these loans because we either receive an upfront fee that adequately compensates us for the servicing costs or because the loan is of a short-term revolving nature. We manage the economic risks of these exposures, including market and credit risks, through market-based instruments such as derivatives and securities. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

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Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a borrower in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses. Credit risk management is overseen through our risk committee structure and by the Risk organization, which reports to the Ally Risk and Compliance Committee. Together they establish the minimum standards for managing credit risk exposures in a safe-and-sound manner by identifying, measuring, monitoring, and controlling the risks while also permitting acceptable variations for a specific line of business with proper approval. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit risk portfolios and credit risk management practices.

During the third quarter of 2011, the U.S. economy continued to moderately expand. Within the automotive markets, demand for new vehicles improved as supply disruptions alleviated and as borrowing conditions remained favorable. However, we continue to be cautious regarding the outlook for vehicle sales due to the uncertainty in U.S. and global economic growth expectations in the near term. We also continue to view housing and the mortgage market with caution, due to weak homes sales, high levels of supply, and continued price declines. As a result, these underlying uncertainties may affect our loan portfolio through the upcoming periods.

During 2010, the financial markets experienced some improvement; however, high unemployment and the distress in the housing market persisted, creating uncertainty for the financial services sector. Since the onset of this turbulent economic cycle, we saw both the housing and vehicle markets significantly decline affecting the credit quality for both our consumer and commercial segments. We have seen signs of economic stabilization in some housing, vehicle, and manufacturing markets and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives. However, we anticipate the economic uncertainty will continue to affect our loan portfolio through upcoming periods.

We have policies and practices that are committed to maintaining an independent and ongoing assessment of credit risk and quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. Our business is focused on consumer automobile loans and leases and mortgage loans in addition to automobile-related commercial lending. We classify these loans as either consumer or commercial and analyze credit risk in each. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we take part in loan sales and syndications.

In response to the dynamic credit environment and other market conditions, we continued to follow a more conservative lending policy across our lines of business, generally focusing our lending to more creditworthy borrowers. For example, our Mortgage operations eliminated production of new home equity loans in 2009. During 2010, we also significantly limited production of loans that do not conform to the underwriting guidelines of the GSEs. In addition, effective January 2009, we ceased originating nonprime automotive financing volume through Nuvell, which commenced in 2002 and primarily focused on GM-affiliated dealers.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the due date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle.

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For mortgage loans, as part of our participation in certain governmental programs, we may offer mortgage loan modifications to our borrowers. Generally these modifications provide the borrower with some form of concession and, therefore, are deemed to be troubled debt restructurings (TDRs). Refer to Note 1 to the Consolidated Financial Statements for additional information on TDRs. Furthermore, we have internally designed proprietary programs aimed at homeowners at risk of foreclosure. Each program has unique qualification criteria for the borrower to meet as well as associated modification options that we analyze to determine the best solution for the borrower. We have also implemented periodic foreclosure moratoriums that are designed to provide borrowers with extra time to sort out their financial difficulties while allowing them to stay in their homes.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At September 30, 2011 and December 31, 2010, this primarily included \$94.9 billion and \$86.9 billion of automobile finance receivables and loans and \$21.0 billion and \$24.8 billion of mortgage finance receivables and loans, respectively. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

During the nine months ended September 30, 2011 and the year ended December 31, 2010, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Consolidated Financial Statements for additional information on specific actions taken. Additionally, in September 2010, we completed the sale of our resort finance portfolio, primarily consisting of loans related to timeshare resorts throughout North America.

In 2009, we executed various changes and strategies throughout our lending operations that had a significant positive impact on our current period credit quality and ultimately our year-over-year comparisons. Some of our strategies included focusing primarily on the prime-lending market, participating in several loan modification programs, implementing tighter underwriting standards, and enhanced collection efforts. Additionally, we discontinued and sold multiple nonstrategic operations. Within our Automotive Finance operations, we exited certain underperforming dealer relationships and added the majority of Chrysler dealers. We see the results of these efforts as our overall credit risk profile has improved; however, our total loan portfolio continues to be affected by sustained levels of high unemployment and continued housing weakness.

On January 1, 2010, we adopted ASU 2009-17, which resulted in \$18.3 billion of off-balance sheet loans being consolidated on-balance sheet. This included \$7.2 billion of consumer automobile finance receivables and loans recorded at historical cost. We recorded an initial allowance for loan loss reserve of \$222 million on those loans. The remaining loans consolidated on-balance sheet were mortgage loans and included \$9.9 billion classified as operations held-for-sale (refer to Note 2 to the Consolidated Financial Statements for additional information) and \$1.2 billion of finance receivables and loans recorded at fair value.

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The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 69,974	$ 62,002	$ 575	$ 768	$ 4	$ 6
Loans at fair value	841	1,015	216	260		
Total finance receivables and loans	70,815	63,017	791	1,028	4	6
Loans held-for-sale	8,718	11,411	2,985	3,273	67	25
Total consumer loans	79,533	74,428	3,776	4,301	71	31
Commercial						
Finance receivables and loans						
Loans at historical cost	37,897	39,396	402	740		
Loans at fair value						
Total finance receivables and loans	37,897	39,396	402	740		
Loans held-for-sale	27					
Total commercial loans	37,924	39,396	402	740		
Total on-balance sheet loans	$ 117,457	$ 113,824	$ 4,178	$ 5,041	$ 71	$ 31

(a) Includes nonaccrual troubled debt restructured loans of $857 million and $684 million at September 30, 2011, and December 31, 2010, respectively.

(b) Includes troubled debt restructured loans classified as 90 days past due and still accruing of $38 million and $13 million at September 30, 2011, and December 31, 2010, respectively.

Total on-balance sheet loans outstanding at September 30, 2011, increased $3.6 billion to $117.5 billion from December 31, 2010, reflecting an increase of $5.1 billion in the consumer portfolio and a decrease of $1.5 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding from December 31, 2010, was the result of increased consumer automobile originations, which outpaced portfolio runoff, due to strong industry sales and automotive manufacturer penetration. The increase was partially offset by a decrease in mortgage originations in our consumer mortgage business and seasonality in our commercial automobile business.

The total TDRs outstanding at September 30, 2011, increased $483 million to $1.9 billion from December 31, 2010. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government modification programs. Additionally, the implementation of ASU 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*, contributed to the increase. Refer to Notes 1 and 8 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at September 30, 2011, decreased $863 million to $4.2 billion from December 31, 2010, reflecting a decrease of $525 million of consumer nonperforming loans and a decrease of $338 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2010, was largely due to improvement within our consumer mortgage portfolio, improvement in dealer performance within our commercial automobile portfolio, and the continued wind-down of non-core commercial assets.

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The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Nine months ended September 30,			
	Net charge-offs		Net charge-off ratios (a)	
($ in millions)	2011	2010	2011	2010
Consumer				
Finance receivables and loans at historical cost	$ 395	$ 641	0.8%	1.6%
Commercial				
Finance receivables and loans at historical cost	38	318	0.1	1.2
Total finance receivables and loans at historical cost	$ 433	$ 959	0.5	1.4

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs were $433 million for the nine months ended September 30, 2011, compared to $959 million for the nine months ended September 30, 2010. This decrease in net charge-offs was primarily driven by improvement within our consumer automotive and mortgage portfolios and the workout of certain commercial real estate and resort finance assets in prior periods. Loans held-for-sale are accounted for at the lower of cost or fair value, and therefore we do not record charge-offs.

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding December 31,		Nonperforming (a)(b) December 31,		Accruing past due 90 days or more (c) December 31,	
($ in millions)	2010	2009	2010	2009	2010	2009
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 62,002	$ 41,458	$ 768	$ 816	$ 6	$ 7
Loans at fair value	1,015	1,391	260	499		
Total finance receivables and loans	63,017	42,849	1,028	1,315	6	7
Loans held-for-sale	11,411	20,468	3,273	3,390	25	33
Total consumer loans	74,428	63,317	4,301	4,705	31	40
Commercial						
Finance receivables and loans						
Loans at historical cost	39,396	34,852	740	1,883		3
Loans at fair value						
Total finance receivables and loans	39,396	34,852	740	1,883		3
Loans held-for-sale		157				
Total commercial loans	39,396	35,009	740	1,883		3

Total on-balance sheet loans	$ 113,824	$ 98,326	$ 5,041	$ 6,588	$ 31	$ 43

(a) Nonperforming loans are loans placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information.

(b) Includes nonaccrual troubled debt restructured loans of $684 million and $1.0 billion at December 31, 2010 and 2009, respectively.

(c) Includes troubled debt restructured loans classified as 90 days past due and still accruing of $13 million and $0 million at December 31, 2010 and 2009, respectively.

Total on-balance sheet loans outstanding at December 31, 2010, increased $15.5 billion to $113.8 billion from December 31, 2009, reflecting an increase of $11.1 billion in the consumer portfolio and $4.4 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding from December 31, 2009, was the result of increased automobile originations due to strengthened automotive industry sales and improved automotive manufacturer penetration, increased retention of originated automobile loans, and the impact of adopting ASU 2009-17. The increase was partially offset by certain mortgage legacy asset sales, automobile whole-loan sales, and the deconsolidation of certain mortgage legacy assets that no longer qualified under ASU 2009-17.

Total TDRs outstanding at December 31, 2010, increased $411 million to $1.5 billion from December 31, 2009. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures. We participated in a variety of government modification programs, such as HARP and HAMP, as well as internally developed modification programs.

Total nonperforming loans at December 31, 2010, decreased $1.5 billion to $5.0 billion from December 31, 2009, reflecting a decrease of $404 million of consumer nonperforming loans and a decrease of $1.1 billion of commercial nonperforming loans. The decrease in commercial nonperforming loans from December 31, 2009, was largely due to sale of the resort finance portfolio and improved dealer performance. Partially offsetting the improvement in nonperforming loans was the impact of adopting ASU 2009-17, continued housing weakness, and seasoning of first mortgage loans remaining within our portfolio.

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios adjusted for one-time charge-offs related to transfers to held-for-sale reported at carrying value before allowance for loan losses.

	Net charge offs Year ended December 31,		Net charge off ratios (a) Year ended December 31,	
	2010	2009	2010	2009
	($ in millions)		(%)	
Consumer				
Finance receivables and loans at historical cost	$ 796	$ 6,082	1.5%	11.2%
Commercial				
Finance receivables and loans at historical cost	402	1,017	1.1	2.8
Total finance receivables and loans at historical cost	1,198	7,099	1.3	7.9
Transfers to held-for-sale (b)		(3,438)		
Adjusted total finance receivables and loans at historical cost	$ 1,198	$ 3,661	1.3	4.1

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value, conditional repurchase loans, and loans held-for-sale during the year for each loan category.

(b) The year ended December 31, 2009, includes $3.4 billion and $10 million of net charge offs related to transfers to held-for-sale for consumer and commercial, respectively.

Our net charge-offs were $1.2 billion for the year ended December 31, 2010, compared to $7.1 billion for the year ended December 31, 2009. This decline was driven primarily by portfolio composition changes as a result of strategic actions including the write-down and reclassification of certain legacy mortgage loans during the fourth quarter of 2009 and improvement in our Nuvell portfolio during 2010, partially offset by charge-offs taken on our resort finance portfolio recorded in 2009 and 2010. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore, we do not record charge-offs.

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The Consumer Credit Portfolio and Commercial Credit Portfolio discussions that follow relate to consumer and commercial credit finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures do not carry an allowance.

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile loans, first mortgages, and home equity loans, with a focus on serving the prime secured consumer credit market. Loan losses in our consumer portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automotive lending (primarily through GM and Chrysler dealerships). Due to our GM and Chrysler subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower s credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower s creditworthiness, fraud, and changes in the applicant s financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

During the nine months ended September 30, 2011, the credit performance of the consumer portfolio continued to improve overall as our nonperforming finance receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to our Consolidated Financial Statements.

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The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
			($ in millions)			
Domestic						
Consumer automobile	$ 43,293	$ 34,604	$ 128	$ 129	$	$
Consumer mortgage						
1st Mortgage	6,833	6,917	269	388	1	1
Home equity	3,179	3,441	60	61		
Total domestic	53,305	44,962	457	578	1	1
Foreign						
Consumer automobile	16,412	16,650	82	78	3	5
Consumer mortgage						
1st Mortgage	257	390	36	112		
Home equity						
Total foreign	16,669	17,040	118	190	3	5
Total consumer finance receivables and loans	$ 69,974	$ 62,002	$ 575	$ 768	$ 4	$ 6

(a) Includes nonaccrual troubled debt restructured loans of $189 million and $204 million at September 30, 2011, and December 31, 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2011, and December 31, 2010.

Total consumer outstanding finance receivables and loans increased $8.0 billion at September 30, 2011, compared with December 31, 2010. This increase was primarily driven by domestic automobile originations, which outpaced portfolio run-off, and due to strong industry sales.

Total consumer nonperforming finance receivables and loans at September 30, 2011, decreased $193 million to $575 million from December 31, 2010, reflecting a decrease of $196 million of consumer mortgage nonperforming finance receivables and loans and an increase of $3 million of consumer automotive nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to the continued run-off of lower quality legacy loans. Nonperforming consumer automotive finance receivables and loans slightly increased primarily due to the implementation of ASU 2011-02. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.2% at September 30, 2011, and December 31, 2010, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $120 million to $682 million at September 30, 2011, compared with December 31, 2010, primarily due to increased quality of newer vintages.

During the year ended December 31, 2010, the credit performance of the consumer portfolio continued to improve overall as nonperforming loans and charge-offs declined. The decline in nonperforming loans was primarily driven by improvement in our Nuvell portfolio due to enhanced collection efforts. The year-over-year decline in net charge-offs was driven by the improved asset mix as the result of strategic actions that included the write-down and reclassification of certain legacy mortgage loans in the fourth quarter of 2009 as well as improvement in our Nuvell portfolio.

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The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding December 31, 2010	Outstanding December 31, 2009	Nonperforming (a) December 31, 2010	Nonperforming (a) December 31, 2009	Accruing past due 90 days or more (b) December 31, 2010	Accruing past due 90 days or more (b) December 31, 2009
	($ in millions)					
Domestic						
Consumer automobile	$ 34,604	$ 12,514	$ 129	$ 267	$	$
Consumer mortgage						
1st Mortgage	6,917	6,921	388	326	1	1
Home equity	3,441	3,886	61	71		
Total domestic	44,962	23,321	578	664	1	1
Foreign						
Consumer automobile	16,650	17,731	78	119	5	5
Consumer mortgage						
1st Mortgage	390	405	112	33		1
Home equity		1				
Total foreign	17,040	18,137	190	152	5	6
Total consumer finance receivables and loans	$ 62,002	$ 41,458	$ 768	$ 816	$ 6	$ 7

(a) Includes nonaccrual troubled debt restructured loans of $204 million and $263 million at December 31, 2010 and 2009, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2010 and 2009.

Total outstanding consumer finance receivables and loans increased $20.5 billion at December 31, 2010, compared with December 31, 2009. The increase in domestic automobile outstandings was driven by the consolidation of previously off-balance sheet loans due to the adoption of ASU 2009-17, increased originations due to strengthened automotive industry sales and improved automotive manufacturer penetration, increased retention of automobile originated loans, and the adoption of ASU 2009-17. The decrease in foreign automobile outstandings was driven by continued exit and liquidations in nonstrategic countries and overall market contraction in Europe.

Total consumer nonperforming loans at December 31, 2010, decreased $48 million to $768 million from December 31, 2009, reflecting a decrease of $179 million of consumer automobile nonperforming loans and an increase of $131 million of consumer mortgage nonperforming loans. Nonperforming consumer automobile loans decreased primarily due to enhanced collection efforts, increased quality of newer vintages and a change to our Nuvell portfolio nonaccrual policy to be consistent with our other automobile nonaccrual policies. Nonperforming consumer mortgage loans increased due to seasoning of the first mortgage loans remaining in our portfolio subsequent to the strategic actions taken in late 2009. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.2% and 2.0% at December 31, 2010 and 2009, respectively.

Consumer domestic automobile loans accruing and past due 30 days or more, included in outstandings in the table above, decreased $32 million to $802 million at December 31, 2010, compared with December 31, 2009. The decrease was primarily due to an improvement in our Nuvell portfolio as a result of enhanced collection efforts in addition to an increased quality of newer vintages in the overall automobile portfolio.

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The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Nine months ended September 30,			
	Net charge-offs		Net charge-off ratios (a)	
	2011	2010	2011	2010
	($ in millions)			
Domestic				
Consumer automobile	$ 185	$ 374	0.6%	2.0%
Consumer mortgage				
1st Mortgage	90	100	1.7	1.9
Home equity	59	64	2.4	2.3
Total domestic	334	538	0.9	2.0
Foreign				
Consumer automobile	58	100	0.5	0.8
Consumer mortgage				
1st Mortgage	3	3	1.3	0.8
Home equity				
Total foreign	61	103	0.5	0.8
Total consumer finance receivables and loans	$ 395	$ 641	0.8	1.6

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from total consumer automobile finance receivables and loans decreased $231 million for the nine months ended September 30, 2011, compared to the same period in 2010. The decrease in net charge-offs was primarily due to lower loss frequency, improvements in loss severity as a result of improved pricing in the used vehicle market, and continued strong customer recoveries.

Our net charge-offs from total consumer mortgage receivables and loans were $152 million for the nine months ended September 30, 2011, compared to $167 million for the same period in 2010. The decrease was driven by reduced net charge-offs within our consumer legacy mortgage portfolio reflecting the continued run-off of lower quality legacy loans.

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The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Net charge-offs Year ended December 31,		Net charge-off ratios Year ended December 31,	
	2010	2009	2010	2009
	($ in millions)		(%)	
Domestic				
Consumer automobile	$ 457	$ 823	1.7%	5.8%
Consumer mortgage				
1st Mortgage	128	2,433	1.8	23.0
Home equity	85	1,579	2.4	24.6
Total domestic	670	4,835	1.8	15.5
Foreign				
Consumer automobile	123	301	0.8	1.5
Consumer mortgage				
1st Mortgage	3	946	0.8	25.1
Home equity				
Total foreign	126	1,247	0.8	5.4
Total consumer finance receivables and loans	796	6,082	1.5	11.2
Transfers to held-for-sale		(3,428)		
Adjusted total consumer finance receivables and loans	$ 796	$ 2,654	1.5	4.9

Our net charge-offs from total consumer automobile loans decreased $544 million for the year ended December 31, 2010, compared to 2009. The decrease in net charge-offs was primarily due to one-time charge-offs taken in 2009, as we aligned our internal policies to Federal Financial Institutions Examination Council (FFIEC) guidelines. Also contributing to the decrease in net charge-offs were improvements in loss severity driven by improved pricing in the used vehicle market and in loss frequency and customer recoveries due to enhanced collection efforts, primarily with our Nuvell portfolio.

Our net charge-offs from total consumer mortgage and home equity loans were $216 million for the year ended December 31, 2010, compared to $5.0 billion in 2009. The significant decrease was driven by portfolio composition changes as a result of strategic actions that included the write-down and reclassification of certain legacy mortgage loans from finance receivables and loans to held-for-sale during the fourth quarter of 2009.

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The following table summarizes the total consumer loan originations at unpaid principal balance for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans held-for-sale during the period.

	Nine months ended September 30, 2011	2010
	($ in millions)	
Domestic		
Consumer automobile	$ 25,112	$ 19,785
Consumer mortgage		
1st Mortgage	39,778	46,307
Home equity		
Total domestic	64,890	66,092
Foreign		
Consumer automobile	7,288	6,316
Consumer mortgage		
1st Mortgage	970	986
Home equity		
Total foreign	8,258	7,302
Total consumer loan originations	$ 73,148	$ 73,394

Total domestic automobile-originated loans increased $5.3 billion for the nine months ended September 30, 2011, compared to the same period in 2010, primarily due to strong industry sales and automotive manufacturer penetration.

Total domestic mortgage-originated loans decreased $6.5 billion for the nine months ended September 30, 2011. The decrease for the nine months ended September 30, 2011, was in part, the result of lower industry volume and a change in our product mix with less government-insured residential mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment were $33.5 billion for the nine months ended September 30, 2011, and $24.5 billion for the nine months ended September 30, 2010. The increase was primarily due to strong automotive industry sales and automotive manufacturer penetration in addition to increased balance sheet retention.

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The following table summarizes the total consumer loan originations at unpaid principal balance for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans held-for-sale during the period.

	Year ended December 31, 2010	2009
	($ in millions)	
Domestic		
Consumer automobile	$ 27,681	$ 18,091
Consumer mortgage		
1st Mortgage	69,542	64,731
Home equity		
Total domestic	97,223	82,822
Foreign		
Consumer automobile	8,818	5,843
Consumer mortgage		
1st Mortgage	1,503	1,405
Home equity		
Total foreign	10,321	7,248
Total consumer loan originations	$ 107,544	$ 90,070

Total domestic automobile loan originations increased $9.6 billion for the year ended December 31, 2010, compared to 2009, primarily due to the improved automotive market as well as the addition of Chrysler automotive financing business. Domestic automobile originations continue to reflect tightened underwriting standards, and most of these originations for 2010 were retained on-balance sheet as finance receivables and loans. Total foreign automobile originations increased $3.0 billion for the year ended December 31, 2010, compared to 2009 driven by improved Canadian automobile sales.

Total domestic mortgage loan originations increased $4.8 billion for the year ended December 31, 2010. The increase was due primarily to increased refinancing as customers continued to take advantage of historically low interest rates.

Consumer loan originations retained on-balance sheet as finance receivables and loans increased $24.9 billion to $35.1 billion at December 31, 2010, compared to 2009. The increase was primarily due to strengthened automotive industry sales, improved automotive manufacturer penetration, and increased retention of automobile-originated loans.

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The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $59.7 billion and $51.3 billion at September 30, 2011, and December 31, 2010, respectively. Total mortgage and home equity loans were $10.3 billion and $10.7 billion at September 30, 2011, and December 31, 2010, respectively.

	September 30, 2011 (a)		December 31, 2010		December 31, 2009	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	9.5%	5.3%	9.2%	4.4%	7.5%	2.9%
California	4.6	25.0	4.6	24.5	2.7	23.3
Florida	4.7	4.0	4.4	4.1	2.1	4.4
Michigan	3.9	4.8	3.7	5.0	1.4	5.4
Illinois	3.0	4.9	2.8	4.7	1.9	4.4
New York	3.5	2.3	3.4	2.4	2.4	2.9
Pennsylvania	3.4	1.6	3.2	1.7	2.4	1.8
Ohio	2.9	1.0	2.5	1.0	1.6	1.2
Georgia	2.4	1.8	2.2	1.8	1.4	2.0
North Carolina	2.2	2.1	2.0	2.0	1.3	2.2
Other United States	32.5	44.7	29.4	44.7	16.7	45.9
Canada	12.1	2.4	14.2	3.6	20.1	3.6
Germany	4.7		5.7		13.3	
Brazil	4.6		5.2		6.8	
Other foreign	6.0	0.1	7.5	0.1	18.4	
Total consumer loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at September 30, 2011.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States were in California and Texas, which represented an aggregate of 16.5% of our total outstanding consumer finance receivables and loans at September 30, 2011.

Concentrations in our mortgage portfolio are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Consolidated Balance Sheet) when physical possession of the collateral is taken. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements.

Repossessed assets in our Automotive Finance operations at September 30, 2011, increased $19 million to $65 million from December 31, 2010. Foreclosed mortgage assets at September 30, 2011, decreased $54 million to $84 million from December 31, 2010.

Repossessed assets in our Automotive Finance operations at December 31, 2010, decreased $4 million to $46 million from December 31, 2009. Foreclosed mortgage assets at December 31, 2010, decreased $12 million to $138 million from December 31, 2009.

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Higher-risk Mortgage Loans

During the nine months ended September 30, 2011, we primarily focused our origination efforts on prime conforming and government-guaranteed mortgages in the United States and high-quality insured mortgages in Canada. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. Given the continued stress within the housing market, we believe this hierarchy provides the most relevant risk assessment of our nontraditional products.

High loan-to-value mortgages Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

Payment-option adjustable rate mortgages Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower s monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.

Interest-only mortgages Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower s new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.

Below-market rate (teaser) mortgages Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower s monthly payment amount. We ceased originating these loans during 2008.

The following tables summarize the higher-risk mortgage loan originations at unpaid principal balance for the periods shown. These higher-risk mortgage loans are classified as finance receivables and loans and are recorded at historical cost.

	Nine months ended September 30,	
	2011	2010
	($ in millions)	
High original loan-to-value (greater than 100%) mortgage loans	$	$
Payment-option adjustable-rate mortgage loans		
Interest-only mortgage loans (a)		209
Below-market rate (teaser) mortgages		
Total higher-risk mortgage loan production	$	$ 209

(a) As of June 2010, this product was no longer offered.

	Year ended December 31, 2010	2009
	($ in millions)	
High original loan-to-value (greater than 100%) mortgage loans	$	$ 11
Payment-option adjustable-rate mortgage loans		
Interest-only mortgage loans (a)	209	316
Below-market rate (teaser) mortgages		
Total	$ 209	$ 327

(a) The originations during the year ended December 31, 2010, for interest-only mortgage loans had an average FICO of 763 and an average loan-to-value of 63% with 100% full documentation.

The following tables summarize mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming		Accruing past due 90 days or more	
	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
			($ in millions)			
High original loan-to-value (greater than 100%) mortgage loans	$ 4	$ 5	$	$	$	$
Payment-option adjustable-rate mortgage loans	4	5	1	1		
Interest-only mortgage loans (a)	3,083	3,681	144	207		
Below-market rate (teaser) mortgages	257	284	5	4		
Total higher-risk mortgage loans	$ 3,348	$ 3,975	$ 150	$ 212	$	$

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

The allowance for loan losses was $192 million or 5.7% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at September 30, 2011.

	December 31, 2010			2009		
	($ in millions)					
	Outstanding	Nonperforming	Accruing past due 90 days or more	Outstanding	Nonperforming	Accruing past due 90 days or more
High original loan-to-value (greater than 100%) mortgage loans	$ 5	$	$	$ 7	$ 4	$
Payment-option adjustable-rate mortgage loans	5	1		7	1	
Interest-only mortgage loans (a)	3,681	207		4,346	139	
Below-market rate (teaser) mortgages	284	4		331	2	

Total	$ 3,975	$ 212	$	$ 4,691	$ 146	$

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

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Allowance for loan losses was $255 million or 6.4% of total higher-risk mortgage finance receivables and loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December 31, 2010.

The following tables include our five largest state and foreign concentrations within our higher-risk finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

($ in millions)	High original loan-to-value (greater than 100%) mortgage loans	Payment-option adjustable-rate mortgage loans	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk loans
September 30, 2011					
California	$	$ 1	$ 792	$ 82	$ 875
Virginia			284	10	294
Maryland			224	6	230
Michigan			202	9	211
Illinois			168	8	170
All other domestic and foreign	4	3	1,419	142	1,568
Total higher-risk mortgage loans	$ 4	$ 4	$ 3,083	$ 266	$ 3,348
December 31, 2010					
California	$	$ 1	$ 993	$ 89	$ 1,083
Virginia			330	12	342
Maryland			256	7	263
Michigan			225	10	235
Illinois			197	8	205
All other domestic and foreign	5	4	1,680	158	1,847
Total	$ 5	$ 5	$ 3,681	$ 284	$ 3,975
December 31, 2009					
California	$ 1	$ 2	$ 1,128	$ 102	$ 1,233
Virginia			397	13	410
Maryland			309	8	317
Michigan			259	11	270
Illinois			230	9	239
All other domestic and foreign	6	5	2,023	188	2,222
Total	$ 7	$ 7	$ 4,346	$ 331	$ 4,691

Commercial Credit Portfolio

Our commercial portfolio consists of automotive loans (wholesale floorplan, dealer term loans, and automotive fleet financing), commercial real estate loans, and other commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate. Further, our commercial credit exposure is concentrated in automotive dealerships (primarily GM and Chrysler). In 2009, we entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers and customers. Both GM and Chrysler are bound by repurchase obligations that, under certain circumstances, such as dealer default, require them to repurchase new vehicle inventory.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk

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rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors simultaneously for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the nine months ended September 30, 2011, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined.

For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements .

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010	September 30, 2011	December 31, 2010
Domestic						
Commercial and industrial						
Automobile	$ 24,227	$ 24,944	$ 118	$ 261	$	$
Mortgage	1,592	1,540	1			
Other (c)	1,303	1,795	36	37		
Commercial real estate						
Automobile	2,137	2,071	68	193		
Mortgage		1		1		
Total domestic	29,259	30,351	223	492		
Foreign						
Commercial and industrial						
Automobile	8,163	8,398	107	35		
Mortgage	24	41	24	40		
Other (c)	240	312	13	97		
Commercial real estate						
Automobile	185	216	12	6		
Mortgage	26	78	23	70		
Total foreign	8,638	9,045	179	248		
Total commercial finance receivables and loans	$ 37,897	$ 39,396	$ 402	$ 740	$	$

(a) Includes nonaccrual troubled debt restructured loans of $42 million and $9 million at September 30, 2011, and December 31, 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2011, and December 31 2010.

(c) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding decreased $1.5 billion to $37.9 billion at September 30, 2011, from December 31, 2010. Commercial and industrial outstandings decreased due, in part, to seasonality in dealer inventory as well as the continued wind-down of non-core commercial assets.

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Total commercial nonperforming finance receivables and loans were $402 million at September 30, 2011, a decrease of $338 million compared to December 31, 2010, primarily due to improvement in dealer performance and continued wind-down on non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 1.1% and 1.9% at September 30, 2011, and December 31, 2010, respectively.

During the year ended December 31, 2010, the credit performance of the commercial portfolio improved as nonperforming loans and net charge-offs declined. The decline in nonperforming loans was primarily driven by the sale of the resort finance portfolio, some improvement in dealer performance, and continued commercial mortgage asset dispositions. The decline in charge-offs in 2010 was primarily attributed to improved portfolio composition compared to 2009 due to the workout of certain commercial real estate assets and the strategic exit of underperforming automotive dealers.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	December 31,					
	2010	2009	2010	2009	2010	2009
	($ in millions)					
Domestic						
Commercial and industrial						
Automobile	$ 24,944	$ 19,604	$ 261	$ 281	$	$
Mortgage	1,540	1,572		37		
Other (c)	1,795	2,688	37	856		
Commercial real estate						
Automobile	2,071	2,008	193	256		
Mortgage	1	121	1	56		
Total domestic	30,351	25,993	492	1,486		
Foreign						
Commercial and industrial						
Automobile	8,398	7,943	35	66		
Mortgage	41	96	40	35		
Other (c)	312	437	97	131		3
Commercial real estate						
Automobile	216	221	6	24		
Mortgage	78	162	70	141		
Total foreign	9,045	8,859	248	397		3
Total commercial finance receivables and loans	$ 39,396	$ 34,852	$ 740	$ 1,883	$	$ 3

(a) Includes nonaccrual troubled debt restructured loans of $9 million and $59 million at December 31, 2010 and 2009, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2010 and 2009, respectively.

(c) Other commercial primarily includes senior secured commercial lending. Additionally, amounts at December 31, 2009, include the resort finance portfolio with an outstanding balance of $843 million, a nonperforming balance of $779 million, and an accruing past due 90 days or more balance of $0 million. We sold our resort finance portfolio during the third quarter of 2010.

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Total commercial finance receivables and loans outstanding increased $4.5 billion to $39.4 billion at December 31, 2010, from December 31, 2009. Commercial and industrial outstandings increased $4.7 billion due to the addition of the Chrysler automotive financing business and improved automotive industry sales with a corresponding increase in inventories partially offset by the sale of the resort finance portfolio. Commercial real estate outstandings decreased $146 million from December 31, 2009, due to continued asset dispositions.

Total commercial nonperforming loans were $740 million, a decrease of $1.1 billion compared to December 31, 2009, primarily due to the sale of the resort finance portfolio, some improvement in dealer performance, and continued mortgage asset dispositions. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 1.9% and 5.4% at December 31, 2010 and 2009, respectively.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2011	2010	2011	2010
	($ in millions)			
Domestic				
Commercial and industrial				
Automobile	$ 7	$ 14	%	0.1%
Mortgage	(1)	(3)	(0.2)	(0.3)
Other	(1)	150	(0.1)	8.0
Commercial real estate				
Automobile	4	36	0.2	2.3
Mortgage	(1)	41	n/m	133.8
Total domestic	8	238		1.2
Foreign				
Commercial and industrial				
Automobile		11		0.2
Mortgage	8		30.7	
Other	2	49	1.1	17.6
Commercial real estate				
Automobile		2		1.2
Mortgage	20	18	52.0	19.0
Total foreign	30	80	0.4	1.2
Total commercial finance receivables and loans	$ 38	$ 318	0.1	1.2

n/m = not meaningful

(a) Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from commercial finance receivables and loans totaled $38 million for the nine months ended September 30, 2011, compared to $318 million for the same period in 2010. The decrease in net charge-offs was largely driven by an improved mix of loans in the existing portfolio driven by the wind-down of certain commercial real estate and resort finance assets in prior periods and improvement in dealer performance.

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The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Net charge-offs (recoveries)		Net charge-off ratios	
	Year ended December 31,			
	2010	2009	2010	2009
	($ in millions)		(%)	
Domestic				
Commercial and industrial				
Automobile	$ 18	$ 69	0.1%	0.4%
Mortgage	(3)	119	(0.2)	6.0
Other (a)	158	92	6.7	2.7
Commercial real estate				
Automobile	47	7	2.3	
Mortgage	44	659	136.3	68.3
Total domestic	264	946	0.9	3.7
Foreign				
Commercial and industrial				
Automobile	16	18	0.2	0.2
Mortgage	3		3.9	
Other	69	41	19.0	5.9
Commercial real estate				
Automobile	2		1.0	
Mortgage	48	12	38.7	5.9
Total foreign	138	71	1.5	0.7
Total commercial finance receivables and loans	$ 402	$ 1,017	1.1	2.8

(a) Amounts include the resort finance portfolio with net charge-offs of $148 million and $61 million and net charge-off ratios of 29.0% and 7.1% for the years ended December 31, 2010 and 2009, respectively. We sold our resort finance portfolio during the third quarter of 2010.

Our net charge-offs of total commercial finance receivables and loans totaled $402 million for the year ended December 31, 2010, compared to $1.0 billion in 2009. The overall decrease in net charge-offs was largely due to the resolution and workout of certain domestic and foreign commercial real estate assets. Increased net charge-offs within our commercial and industrial portfolios were driven by the domestic resort finance and U.K. commercial finance lending portfolios.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers and related real estate firms. Commercial real estate finance receivables and loans remained flat at $2.4 billion at September 30, 2011, and December 31, 2010.

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The following table shows the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	September 30,	December 31,	
	2011	2010	2009
Geographic region			
Texas	12.7%	10.5%	11.2%
Florida	11.1	10.3	11.8
Michigan	10.1	10.1	8.5
California	9.3	9.6	9.8
Virginia	4.5	4.4	3.9
New York	3.7	3.8	3.7
Oregon	3.4	3.1	2.1
Pennsylvania	3.1	3.7	3.4
Georgia	2.8	2.7	2.1
Alabama	2.6	2.4	2.1
Other United States	27.8	26.9	26.2
Canada	4.5	4.4	4.3
United Kingdom	2.7	5.0	7.3
Mexico	1.4	2.4	2.5
Other foreign	0.3	0.7	1.1
Total commercial real estate finance receivables and loans	100.0%	100.0%	100.0%
Property type			
Automobile dealers	98.9%	91.8%	84.3%
Residential	0.8	2.5	2.7
Land and land development	0.3	0.8	5.7
Apartments		0.1	2.9
Other	0.0	4.8	4.4
Total commercial real estate finance receivables and loans	100.0%	100.0%	100.0%

Commercial Criticized Exposure

Exposures deemed criticized are finance receivables and loans classified as special mention, substandard, or doubtful. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table shows the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	September30,	December 31,	
	2011	2010	2009
Industry			
Automotive	82.0%	66.5%	49.7%
Real estate	4.6	12.1	23.4
Manufacturing	2.6	3.5	3.1
Services	2.4	1.9	2.1
Bank and finance companies	2.3	1.0	2.1
Retail	1.7	1.5	2.6

Electronics	1.1	1.2	1.6
Food	1.0	0.4	0.5
All other	2.3	11.9	14.9
Total commercial criticized finance receivables and loans	100.0%	100.0%	100%

(a) Includes resort finance, which represented 17.3% of the portfolio at December 31, 2009.

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Total criticized exposures declined $596 million to $3.0 billion at September 30, 2011 from December 31, 2010, primarily due to the continued wind-down of non-core commercial assets in the real estate and health/medical (within All other) industries. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstanding.

Total criticized exposure decreased $1.3 billion to $3.6 billion from December 31, 2009 to December 31, 2010, primarily due to the sale of the resort finance portfolio, improvement in dealer credit quality, and continued mortgage asset dispositions. The increase in our automotive criticized concentration rate was due to the significant decrease in the overall criticized amounts outstanding at December 31, 2010, compared to December 31, 2009.

Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. The table does not include the impact of derivative instruments utilized to hedge certain loans. This portfolio is reported at carrying value before allowance for loan losses.

	December 31, 2010			
	Within 1 year	1-5 years	After 5 years	Total (a)
	($ in millions)			
Commercial and industrial	$ 26,401	$ 1,764	$ 114	$ 28,279
Commercial real estate	227	1,666	179	2,072
Total domestic	26,628	3,430	293	30,351
Foreign	8,522	515	8	9,045
Total commercial finance receivables and loans	$ 35,150	$ 3,945	$ 301	$ 39,396
Loans at fixed interest rates		$ 1,277	$ 220	
Loans at variable interest rates		2,668	81	
Total commercial finance receivables and loans		$ 3,945	$ 301	

(a) Loan maturities are based on the remaining maturities under contractual terms.

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Allowance for Loan Losses

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

	Consumer automobile	Consumer mortgage	Total consumer ($ in millions)	Commercial	Total
Balance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(331)	(162)	(493)	(24)	(517)
Foreign	(112)	(4)	(116)	(55)	(171)
Total charge-offs	(443)	(166)	(609)	(79)	(688)
Recoveries					
Domestic	146	13	159	16	175
Foreign	54	1	55	25	80
Total recoveries	200	14	214	41	255
Net charge-offs	(243)	(152)	(395)	(38)	(433)
Provision for loan losses	157	104	261	(48)	213
Other	(33)		(33)	1	(32)
Balance at September 30, 2011	$ 851	$ 532	$ 1,383	$ 238	$ 1,621
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2011 (a)	1.4%	5.2%	2.0%	0.6%	1.5%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2011 (a)	0.6%	1.9%	0.8%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2011 (a)	404.5%	145.7%	240.3%	59.2%	165.8%
Ratio of allowance for loans losses to net charge-offs at September 30, 2011	2.6	2.6	2.6	4.7	2.8

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

	Consumer automobile	Consumer mortgage	Total consumer ($ in millions)	Commercial	Total
Balance at January 1, 2010	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222		222		222
Charge-offs					
Domestic	(616)	(179)	(795)	(250)	(1,045)
Foreign	(154)	(3)	(157)	(91)	(248)
Total charge-offs	(770)	(182)	(952)	(341)	(1,293)
Recoveries					
Domestic	242	15	257	12	269
Foreign	54		54	11	65
Total recoveries	296	15	311	23	334

Net charge-offs	(474)	(167)	(641)	(318)	(959)
Provision for loan losses	285	142	427	(56)	371
Discontinued operations	5		5	(3)	2
Other	(12)	9	(3)	(24)	(27)
Balance at September 30, 2010	$ 1,050	$ 624	$ 1,674	$ 380	$ 2,054
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2010 (b)	2.3%	5.6%	2.9%	1.0%	2.1%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2010 (b)	1.6%	2.0%	1.6%	1.2%	1.4%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2010 (b)	521.8%	102.9%	207.3%	48.4%	129.0%
Ratio of allowance for loans losses to net charge-offs at September 30, 2010	1.7	2.8	2.0	0.9	1.6

(a) Includes adjustment to the allowance due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at September 30, 2011, declined $291 million compared to September 30, 2010, reflecting the continued improved asset mix with higher quality recent vintages, the continued runoff of Nuvell and other liquidating portfolios, as well as improved loss performance.

The allowance for commercial loan losses declined $142 million at September 30, 2011, compared to September 30, 2010, primarily related to improved portfolio credit quality and lower levels of receivables.

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	Total consumer	Commercial	Total
Allowance at January 1, 2010	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222		222		222
Charge-offs					
Domestic	(776)	(239)	(1,015)	(282)	(1,297)
Foreign	(194)	(4)	(198)	(151)	(349)
Total charge-offs	(970)	(243)	(1,213)	(433)	(1,646)
Recoveries					
Domestic	319	26	345	18	363
Foreign	71	1	72	13	85
Total recoveries	390	27	417	31	448
Net charge-offs	(580)	(216)	(796)	(402)	(1,198)
Provision for loan losses (b)	304	164	468	(26)	442
Discontinued operations				(4)	(4)
Other		(8)	(8)	(26)	(34)
Allowance at December 31, 2010	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2010 (c)	1.9%	5.4%	2.5%	0.8%	1.8%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2010 (c)	1.4%	2.0%	1.5%	1.1%	1.3%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2010 (c)	469.2%	103.4%	202.0%	43.7%	124.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2010	1.7	2.7	1.9	0.8	1.6

(a) Includes adjustment to the allowance due to adoption of ASU 2009-17. Refer to Note 1 to the Consolidated Financial Statements for additional information.

(b) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.

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(c) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2009	$ 1,394	$ 1,142	$ 2,536	$ 897	$ 3,433
Charge-offs					
Domestic	(1,001)	(1,424)	(2,425)	(955)	(3,380)
Foreign	(372)	(185)	(557)	(76)	(633)
Write-downs related to transfers to held-for-sale	(11)	(3,417)	(3,428)	(10)	(3,438)
Total charge-offs	(1,384)	(5,026)	(6,410)	(1,041)	(7,451)
Recoveries					
Domestic	189	68	257	19	276
Foreign	71		71	5	76
Total recoveries	260	68	328	24	352
Net charge-offs	(1,124)	(4,958)	(6,082)	(1,017)	(7,099)
Provision for loan losses	755	3,951	4,706	898	5,604
Discontinued operations	13	556	569	(3)	566
Other	(14)	(51)	(65)	6	(59)
Allowance at December 31, 2009	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2009 (a)	3.4%	5.7%	4.0%	2.2%	3.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2009 (a)	3.3%	23.9%	11.2%	2.8%	7.9%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2009 (a)	265.2%	148.7%	203.8%	41.5%	90.6%
Ratio of allowance for loans losses to net charge-offs at December 31, 2009	0.9	0.1	0.3	0.8	0.3

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses was $1.6 billion at December 31, 2010, compared to $1.7 billion at December 31, 2009. The decline reflected the improved asset mix resulting from the strategic actions taken in late 2009 related to legacy mortgage loans and the continued runoff of Nuvell and other liquidating portfolios. Partially offsetting this decline was an increase in the allowance due to increased loans outstanding in the nonliquidating automobile portfolio.

The allowance for commercial loan losses was $323 million at December 31, 2010, compared to $781 million at December 31, 2009. The decline was primarily related to the sale of the resort finance portfolio, runoff in our commercial real estate portfolio, and improved portfolio credit quality due to improved dealer performance, strategic dealer exits, and the wind-down of operations in several nonstrategic countries.

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Allowance for Loan Losses by Type

The following tables summarize the allocation of the allowance for loan losses by product type.

	September 30,					
	2011			2010		
($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 687	1.6	42.4	$ 851	2.8	41.4
Consumer mortgage						
1st Mortgage	275	4.0	17.0	351	4.9	17.1
Home equity	256	8.0	15.8	271	7.6	13.2
Total domestic	1,218	2.3	75.2	1,473	3.6	71.7
Foreign						
Consumer automobile	164	1.0	10.1	199	1.2	9.7
Consumer mortgage						
1st Mortgage	1	0.4	0.1	2	0.5	0.1
Home equity						
Total foreign	165	1.0	10.2	201	1.2	9.8
Total consumer loans	1,383	2.0	85.4	1,674	2.9	81.5
Commercial						
Domestic						
Commercial and industrial						
Automobile	54	0.2	3.3	70	0.3	3.4
Mortgage	1			1	0.1	0.1
Other	66	5.1	4.1	117	5.7	5.7
Commercial real estate						
Automobile	53	2.5	3.3	51	2.5	2.5
Mortgage				4	77.2	0.2
Total domestic	174	0.6	10.7	243	0.8	11.9
Foreign						
Commercial and industrial						
Automobile	51	0.6	3.1	30	0.4	1.5
Mortgage	5	22.6	0.3	22	29.2	1.1
Other	1	0.4	0.1	49	13.2	2.3
Commercial real estate						
Automobile	2	1.1	0.1	3	1.0	0.1
Mortgage	5	17.3	0.3	33	35.9	1.6
Total foreign	64	0.7	3.9	137	1.6	6.6

Total commercial loans	238	0.6	14.6	380	1.0	18.5
Total allowance for loan losses	$ 1,621	1.5	100.0	$ 2,054	2.1	100.0

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	December 31, 2010			December 31, 2009		
($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 769	2.2%	41.0%	$ 772	6.2%	31.6%
Consumer mortgage						
1st Mortgage	322	4.7	17.2	387	5.6	15.8
Home equity	256	7.5	13.7	251	6.5	10.3
Total domestic	1,347	3.0	71.9	1,410	6.0	57.7
Foreign						
Consumer automobile	201	1.2	10.7	252	1.4	10.2
Consumer mortgage						
1st Mortgage	2	0.4	0.1	2	0.5	0.1
Home equity						
Total foreign	203	1.2	10.8	254	1.4	10.3
Total consumer loans	1,550	2.5	82.7	1,664	4.0	68.0
Commercial						
Domestic						
Commercial and industrial						
Automobile	73	0.3	3.9	157	0.8	6.4
Mortgage				10	0.6	0.4
Other	97	5.4	5.2	322	12.0	13.2
Commercial real estate						
Automobile	54	2.6	2.9			
Mortgage				54	44.6	2.2
Total domestic	224	0.7	12.0	543	2.1	22.2
Foreign						
Commercial and industrial						
Automobile	33	0.4	1.7	54	0.7	2.2
Mortgage	12	30.5	0.7	20	21.0	0.8
Other	39	12.6	2.1	111	25.5	4.6
Commercial real estate						
Automobile	2	0.9	0.1			
Mortgage	13	16.9	0.7	53	32.5	2.2
Total foreign	99	1.1	5.3	238	2.7	9.8
Total commercial loans	323	0.8	17.3	781	2.2	32.0
Total allowance for loan losses	$ 1,873	1.8%	100.0%	$ 2,445	3.2%	100.0%

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Provision for Loan Losses

The following tables summarize the provision for loan losses by product type.

	Nine months ended September 30, 2011	2010
	($ in millions)	
Consumer		
Domestic		
Consumer automobile	$ 125	$ 230
Consumer mortgage		
1st Mortgage	44	57
Home equity	57	83
Total domestic	226	370
Foreign		
Consumer automobile	32	55
Consumer mortgage		
1st Mortgage	3	2
Home equity		
Total foreign	35	57
Total consumer loans	261	427
Commercial		
Domestic		
Commercial and industrial		
Automobile	(10)	15
Mortgage	(1)	(12)
Other	(32)	(36)
Commercial real estate		
Automobile	3	
Mortgage	(1)	(9)
Total domestic	(41)	(42)
Foreign		
Commercial and industrial		
Automobile	18	(8)
Mortgage	(1)	2
Other	(38)	(6)
Commercial real estate		
Automobile		
Mortgage	14	(2)
Total foreign	(7)	(14)
Total commercial loans	(48)	(56)
Total provision for loans losses	$ 213	$ 371

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	Year ended December 31, 2010	2009
	($ in millions)	
Consumer		
Domestic		
Consumer automobile	$ 228	$ 493
Consumer mortgage		
1st Mortgage	72	2,360
Home equity	90	1,588
Total domestic	390	4,441
Foreign		
Consumer automobile	76	262
Consumer mortgage		
1st Mortgage	2	3
Home equity		
Total foreign	78	265
Total consumer loans	468	4,706
Commercial		
Domestic		
Commercial and industrial		
Automobile	2	54
Mortgage	(13)	36
Other (a)	(47)	348
Commercial real estate		
Automobile	34	
Mortgage	(10)	255
Total domestic	(34)	693
Foreign		
Commercial and industrial		
Automobile	(2)	32
Mortgage	(5)	17
Other	5	142
Commercial real estate		
Automobile	2	
Mortgage	8	14
Total foreign	8	205
Total commercial loans	(26)	898
Total provision for loan losses	$ 442	$ 5,604

(a) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.

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Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk.

- ***Used vehicle market*** We are at risk due to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices most heavily influence used vehicle prices.

- ***Residual value projections*** We establish risk adjusted residual values at lease inception by consulting independently published guides and periodically reviewing these residual values during the lease term. These values are projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

- ***Remarketing abilities*** Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.

- ***Manufacturer vehicle and marketing programs*** Automotive manufacturers influence lease residual results in the following ways:

  - The brand image of automotive manufacturers and consumer demand for their products affect residual risk as our lease portfolio consists primarily of these vehicles.

  - Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.

  - Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24, 36, and 48 month scheduled lease terminations for those same periods at auction. The mix of terminated vehicles in 2010 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

	Year ended December 31,		
	2010	**2009**	**2008**
Off-lease vehicles remarketed (in units)	376,203	369,981	425,567
Sales proceeds on scheduled lease terminations ($ per unit)			
24-month	$ 28,008	$ 25,192	$ 21,866
36-month	19,226	17,327	13,828
48-month	14,722	12,384	10,641

Proceeds in 2009 and 2010 increased as market conditions for used vehicles improved. The improvement in proceeds was driven partly by lower used vehicle supply and increased consumer demand for used vehicles as the weakened U.S. economy drove consumer preference for used vehicles over higher cost new vehicles.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets,

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restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

Country risk is measured by determining our cross-border outstandings in accordance with FFIEC guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

The following tables list all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

($ in millions)	Banks	Public	Other	Net local country assets	Derivatives	Total cross-border outstandings
2010						
Canada	$ 343	$ 361	$ 349	$ 4,678	$ 19	$ 5,750
Germany	587	40	111	3,485	76	4,299
United Kingdom	627	9	37	1,133	83	1,889
2009						
Germany	$ 281	$ 66	$ 1,459	$ 3,057	$ 304	$ 5,167
United Kingdom	123	285	307	4,226	74	5,015
Canada	581	42	71	2,755	187	3,636

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we enter into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities, all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We may enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information.

We are exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We may enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We may enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

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Fair Value Sensitivity Analysis

The following table and subsequent discussion presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market exchange rates, interest rate yield curves, and equity prices. The analysis does not consider the financial offsets available through derivative activities. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, is not considered.

	December 31,			
	2010		2009	
	Nontrading	Trading (a)	Nontrading	Trading (a)
	($ in millions)			
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(b)	$ 240	(b)	$ 739
Effect of 10% adverse change in rates	(b)	(1)	(b)	(18)
Foreign-currency exchange rates				
Estimated fair value	$ 7,079	$ 94	$ 6,432	$ 111
Effect of 10% adverse change in rates	(708)	(9)	(643)	(11)
Equity prices				
Estimated fair value	$ 796	$	$ 675	$
Effect of 10% decrease in prices	(80)		(68)	

(a) Includes our trading securities. Refer to Note 6 to the Consolidated Financial Statements for additional information on our trading portfolio.

(b) Refer to the section below titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments increased during the year ended December 31, 2010, compared to the same period in 2009, due to declines in our foreign denominated debt. This decline consequently drove the increase in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity price sensitive financial instruments was driven by a change in mix within our investment portfolio. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis to measure and manage the interest rate sensitivities of our nontrading financial instruments rather than the fair value approach. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. Simulations are used to estimate the impact on our net interest income in numerous interest rate scenarios. These simulations measure how the interest rate scenarios will impact net interest income on the financial instruments on the balance sheet including debt securities, loans, deposits, debt, and derivative instruments. The simulations incorporate assumptions about future balance sheet changes including loan and deposit pricing, changes in funding mix, and asset/liability repricing, prepayments, and contractual maturities.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The

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net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

	Year ended December 31,	
	2010	2009
	($ in millions)	
Parallel rate shifts		
- 100 basis points	$ 54	$ 15
+100 basis points	(99)	(129)
+200 basis points	(28)	(137)

Our net interest income was liability sensitive to a parallel move in interest rates at both years ended 2010 and 2009. The change in net interest income sensitivity from December 31, 2009, was due to the change in the level of forward short-term interest rates and the resultant impact on certain interest rate floors on commercial finance receivables and loans. Additionally, we reduced our net receive fixed interest rate swaps hedging the debt portfolio as part of our normal ALM activities, which contributed to the change.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us.

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

Liquidity Management, Funding, and Regulatory Capital

Overview

Liquidity management involves forecasting funding requirements driven by asset growth and liability maturities. The goal of liquidity management is to ensure we maintain adequate funds to meet changes in loan and lease demand, debt maturities, unexpected deposit withdrawals, and other seen and unforeseen corporate needs. Our primary funding objective is to ensure we maintain access to stable and diverse liquidity sources throughout all market cycles including periods of financial distress. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across maturities, interest rate characteristics, currencies, and investor profiles. Further liquidity is available through committed borrowing facilities as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

Liquidity risk arises from the failure to recognize or address changes in market conditions affecting both asset and liability flows. Effective liquidity risk management is critical to the viability of financial institutions to ensure an institution has the ability to meet contractual and contingent financial obligations. The ability to manage liquidity needs and contingent funding exposures has been essential to the solvency of financial institutions.

ALCO, the Asset-Liability Committee, is responsible for monitoring Ally s liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. ALCO delegates the planning and execution of liquidity management strategies to Corporate Treasury. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank and ResMor Trust, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline projected economic scenarios as well as more severe economically stressed environments. Corporate Treasury, in turn, plans and executes our funding strategies.

In addition, we have established internal management committees to assist senior leadership in monitoring and managing our liquidity positions and funding plans. The Liquidity Risk Council is responsible for monitoring liquidity risk tolerance while maintaining adequate liquidity and analyzing liquidity risk measurement standards, liquidity position and investment alternatives, funding plans, forecasted liquidity needs and related risks and opportunities, liquidity buffers, stress testing, and contingency funding. The Structured Funding Risk Council is responsible for assisting senior leadership in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, highly liquid unencumbered securities and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities, including Ally Bank and Ally Financial Inc., the parent company, and consider regulatory and tax restrictions that may limit our ability to transfer funds across entities. At September 30, 2011 and December 31, 2010, we maintained $25.9 billion and $23.8 billion of total available parent company liquidity and $13.6 billion and $7.5 billion of total available liquidity at Ally Bank, respectively. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At September 30, 2011 and December 31, 2010, $2.2 billion and $3.7 billion, respectively, was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company at any time, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above figures. For this purpose, parent company includes our consolidated operations less our Insurance operations, ResCap, and Ally Bank.

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets. We continue to be extremely focused on maintaining and enhancing our liquidity. Our funding strategy primarily focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs and to ensure an appropriate maturity profile. These funding sources include unsecured debt capital markets, asset-backed securitizations, whole-loan sales, domestic and international committed and uncommitted bank lines, brokered certificates of deposits, and retail deposits. We also supplement these sources with short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. Creating funding from a wide range of sources across geographic locations strengthens our liquidity position and limits dependence on any single source. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between bank funding and holding company or nonbank funding.

In addition, the FDIC has indicated that it expects us to diversify Ally Bank s overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying Ally Bank s funding base by expanding its securitization programs, both public and through private committed credit facilities, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise. As a result of the conversion of $5.5 billion of Ally Mandatorily Convertible Preferred (MCP) stock held by Treasury into common stock on December 30, 2010, and consequent reduction of the equity interests held by General Motors and the GM Trust, 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 imposes limitations on transactions between banks and their affiliates. Transactions between Ally Bank and GM will continue to be subject to regulation and examination by the bank s primary federal regulator, the Federal Deposit Insurance Corporation.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. Ally Bank provides our automotive finance and mortgage loan operations with a stable and low cost funding source. At September 30, 2011 and December 31, 2010, we had $38.9 billion and $33.9 billion of deposits including $26.3 billion and $21.8 billion of retail deposits sourced by Ally Bank, respectively. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $26.3 billion at September 30, 2011 enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds as our deposit base grows.

At September 30, 2011, Ally Bank maintained cash liquidity of $4.5 billion and highly liquid U.S. federal government and U.S. agency securities of $5.2 billion, excluding certain securities that were encumbered at September 30, 2011. In addition, at September 30, 2011, Ally Bank had unused capacity in committed secured funding facilities of $6.1 billion, including an equal allocation of shared unused capacity of $4.0 billion from a facility also available to the parent company. At December 31, 2010, Ally Bank maintained cash liquidity of $3.1 billion and highly liquid U.S. federal government and U.S. agency securities of $4.4 billion, excluding certain securities that were encumbered at December 31, 2010. In addition, at December 31, 2010, Ally Bank had unused capacity in committed secured funding facilities of $3.8 billion, including an equal allocation of the unused capacity from a $4.1 billion shared facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding is the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Growth in retail deposits is key to further reducing our cost of funds and decreasing our reliance on the capital markets and other sources of funding. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, and money market accounts, as well as an online checking product. In addition, we have brokered deposits, which are obtained through third-party intermediaries. In the first nine months of 2011, the deposit base at Ally Bank grew nearly $5.0 billion, ending the quarter at $38.9 billion from $33.9 billion at December 31, 2010.

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At September 30, 2011, deposit liabilities constituted 32% of our total funding, as compared to 14% as of December 31, 2008. The growth in deposits was primarily attributable to our retail deposit portfolio. Strong retention rates materially contributed to our growth in retail deposits. In the third quarter of 2011, we retained 91% of CD balances up for renewal during the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, the Federal Reserve s Discount Window, public securitizations and private funding arrangements. At September 30, 2011 and December 31, 2010, debt outstanding from the FHLB totaled $4.1 billion and $5.3 billion, respectively, with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term and often occur overnight. Funding from repurchase agreements was accounted for as debt on our Consolidated Balance Sheet. At September 30, 2011, December 31, 2010 and 2009, Ally Bank had no debt outstanding under repurchase agreements.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. In the first nine months of 2011, Ally Bank completed nine transactions and raised $7.6 billion of secured funding backed by retail and dealer floorplan automotive loans, as well as consumer leases. While deposits provide for a more stable funding base, our efficiencies in securitizations and improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. For retail automotive loans and leases, the primary reason why securitizations are an attractive funding source is that the term structure locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automotive loans are selected and placed into a securitization, the underlying assets will have no bearing on any incremental liquidity risk. Also in the third quarter of 2011, we raised $1.5 billion from a whole-loan sale of U.S. retail automotive loans. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities. At September 30, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company.

Refer to Note 15 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank s number of accounts and deposit balances by type as of the end of each quarter since 2009.

($ in millions)	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009
Number of accounts	919,670	851,991	798,622	726,104	676,419	616,665	573,388	535,301	506,313	461,229	362,776
Deposits											
Retail	$ 26,254	$ 24,562	$ 23,469	$ 21,817	$ 20,504	$ 18,690	$ 17,672	$ 16,926	$ 15,901	$ 14,464	$ 11,026
Brokered	9,911	9,903	9,836	9,992	9,978	9,858	9,757	10,149	9,151	8,141	9,072
Other (1)	2,704	2,405	2,064	2,108	2,538	2,267	1,914	1,767	2,331	2,194	1,950
Total deposits	$ 38,869	$ 36,870	$ 35,369	$ 33,917	$ 33,020	$ 30,815	$ 29,343	$ 28,842	$ 27,383	$ 24,799	$ 22,048

(1) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

Nonbank Funding

At September 30, 2011, the parent company maintained cash liquidity of $10.1 billion and unused capacity in committed credit facilities of $15.7 billion, including an equal allocation of shared unused capacity of $4.0 billion from a facility also available to Ally Bank. The unused capacity amount at September 30, 2011, also includes $1.5 billion from forward flow sale commitments to fund future asset originations in Brazil and $2.4 billion from two new Ally Credit Canada facilities completed in the third quarter that was utilized in early October to refinance existing debt outstanding; therefore, management did not consider the Ally Credit Canada facilities amounts as available liquidity at September 30, 2011. At December 31, 2010, the parent company maintained cash liquidity in the amount of $6.7 billion and unused capacity in committed credit facilities of $11.1 billion, including an equal allocation of the unused capacity from a $4.1 billion shared facility also available to Ally Bank. Our ability to access unused capacity in secured facilities depends on having eligible

assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. As we shift our focus to growing bank funding capabilities in line with increasing asset originations at Ally Bank, we are similarly focused on minimizing uses of our parent company liquidity and reducing the amount of assets funded outside the bank. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. For this purpose, parent company includes our consolidated operations less our Insurance operations, ResCap, and Ally Bank.

We continue to access the unsecured debt markets to further strengthen the parent company liquidity position. During the first nine months of 2011, we completed a total of $3.8 billion in funding through the debt capital markets. In addition to funding in the debt capital markets, we have offered short-term and long-term unsecured debt through a retail debt program known as SmartNotes. SmartNotes are floating-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $9.4 billion and $9.8 billion and $10.9 billion of SmartNotes outstanding at September 30, 2011, and December 31, 2010 and 2009, respectively.

During 2010, we completed transactions in the unsecured debt markets to further strengthen the parent company liquidity position. We raised over $8.0 billion in the unsecured bond markets including a $1.0 billion issuance in the fourth quarter. Of the $8.0 billion issued this year, $3.7 billion had a term of 10 years while the remaining amount had a term of 5 or 7 years.

We also obtain short-term unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $2.6 billion at September 30, 2011, $2.0 billion at December 31, 2010, and $1.3 billion at December 31, 2009. Unsecured short-term bank loans also provide short term funding. At September 30, 2011, we had $4.3 billion in short-term unsecured debt outstanding, an increase of $0.1 billion from December 31, 2010. At December 31, 2010, we had $4.2 billion in short-term unsecured debt outstanding, an increase of $1.0 billion from December 31, 2009. Refer to Note 14 and Note 15 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding is also a significant source of financing at the parent company. In the United States, we completed a private securitization transaction that raised $3.6 billion of funding and we completed a new revolving secured credit facility that provides $1.0 billion of capacity in the third quarter. Internationally in the third quarter, we completed three new secured revolving credit facilities that provided $4.0 billion of capacity at September 30, 2011. We continue to maintain significant credit capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. In addition to this facility, there are a variety of others that provide funding in various countries. At September 30, 2011, there was a total of $25.1 billion of committed capacity available exclusively for the parent company in various facilities around the globe.

Recent Funding Developments

In summary, during the first nine months of 2011, we completed funding transactions totaling nearly $32 billion, and we renewed key existing funding facilities as we realized ready access to both the public and private markets. Key funding highlights from the first nine months of 2011 were as follows:

- We issued $3.8 billion of public term unsecured debt.

- We raised $16.3 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions and raised $2.8 billion of U.S. retail automotive loans on a whole loan basis.

- We created $9.0 billion of new funding capacity from the completion of new facilities and increases to existing facilities.

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We renewed approximately $18.9 billion of key funding facilities that fund our Automotive Finance and Mortgage operations.

In March, we completed a key first step in our plan to repay the U.S. taxpayer. The U.S. Department of Treasury (Treasury) was repaid $2.7 billion from the sale of all the Trust Preferred Securities that Treasury held with Ally. This represented the full value of Treasury s investment in these securities. Ally did not receive any proceeds from the offering of the Trust Preferred Securities.

In summary, during 2010, we completed funding transactions totaling almost $36 billion and we renewed key existing funding facilities as we realized ready access to both the public and private markets. Key funding highlights from 2010 are as follows:

We issued over $8.0 billion of unsecured debt, which included issuances in both the U.S. and European markets. Of the $8.0 billion issued in 2010, $3.7 billion had a term of 10 years while the remaining amount had a term of 5 or 7 years. In the fourth quarter of 2010, we issued $1.0 billion of unsecured long-term debt with a maturity of 7 years. In 2011, we raised an additional $2.25 billion of unsecured debt with a tenor of three years.

We raised over $15 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions. In the United States, we completed Ally Bank-sponsored transactions totaling $8.1 billion, of which $2.0 billion was completed in the fourth quarter. We also completed $674 million of issuance supported by mortgage servicer advances and mortgage loans. Outside the United States, we issued $6.2 billion through public and private automotive securitization transactions.

We created more than $12 billion of new committed credit capacity including $8.3 billion solely dedicated to fund automotive assets at Ally Bank and new mortgage facilities in the United States that provide committed credit capacity of $725 million. In the fourth quarter, we entered into new committed secured auto facilities in Canada and Brazil that provide total capacity of $1.4 billion.

We renewed over $8 billion of key private funding facilities at our Automotive Finance operations and Mortgage operations.

As a result of the conversion of $5.5 billion of Ally Mandatorily Convertible Preferred (MCP) stock held by Treasury into common stock on December 30, 2010, the dividend payments payable to our preferred shareholders will be reduced by approximately $500 million annually. This is expected to improve long-term profitability with a lower cost of funds and enhances capital preservation.

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Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2011 from 2010 levels. In addition, deposits represent a larger portion of the overall funding mix.

($ in millions)	**Bank**	**Nonbank**	**Total**	**%**
September 30, 2011				
Secured financings	$ 23,280	$ 25,047	$ 48,327	35
Institutional term debt		23,047	23,047	16
Retail debt programs (a)		14,437	14,437	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	5
Bank loans and other	1	2,195	2,196	2
Total debt (b)	23,281	72,126	95,407	68
Deposits (c)	38,869	5,457	44,326	32
Total on-balance sheet funding	$ 62,150	$ 77,583	$ 139,733	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 63,164	$ 63,164	
Total off-balance sheet securitizations	$	$	$	
December 31, 2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (b)	20,200	73,473	93,673	71
Deposits (c)	33,917	5,131	39,048	29
Total on-balance sheet funding	$ 54,117	$ 78,604	$ 132,721	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	
Total off-balance sheet securitizations	$	$ 69,356	$ 69,356	

(a) Primarily includes $9.4 billion and $9.8 billion of Ally SmartNotes at September 30, 2011, and December 31, 2010, respectively.

(b) Excludes fair value adjustment as described in Note 15 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered and mortgage escrow and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 15 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at September 30, 2011.

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As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2010 from 2009 levels. In addition, deposits represent a larger portion of the overall funding mix.

	Bank	Nonbank	Total	%
		($ in millions)		
December 31, 2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	11
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (b)	20,200	73,473	93,673	72
Bank deposits (c)	31,847	5,131	36,978	28
Total on-balance sheet funding	$ 52,047	$ 78,604	$ 130,651	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	
Total off-balance sheet securitizations	$	$ 69,356	$ 69,356	
2009				
Secured financings	$ 11,777	$ 36,982	$ 48,759	38
Institutional term debt		24,809	24,809	19
Retail debt programs (a)	8	14,614	14,622	12
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	59	2,135	2,194	2
Total debt (b)	11,844	85,940	97,784	77
Bank deposits (c)	27,078	2,928	30,006	23
Total on-balance sheet funding	$ 38,922	$ 88,868	$ 127,790	100
Off-balance sheet securitizations				
Retail finance receivables	$	$ 6,654	$ 6,654	
Mortgage loans		99,123	99,123	
Total off-balance sheet securitizations	$	$ 105,777	$ 105,777	

(a) Primarily includes $9.8 billion and $10.9 billion of Ally SmartNotes at December 31, 2010 and 2009, respectively.

(b) Excludes fair value adjustment as described in Note 27 to the Consolidated Financial Statements.

(c) Bank deposits include deposits at Ally Bank, excluding mortgage escrow and intercompany deposits. Nonbank deposits include deposits at ResMor Trust and dealer wholesale deposits.

Refer to Note 17 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2010.

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 Consolidated Balance Sheet.

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As of September 30, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank s largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. At September 30, 2011, the amount outstanding under this facility was $3.9 billion. 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.

In 2010, Ally Bank entered into its first committed credit facilities. These facilities are secured by automotive receivables and have given Ally Bank exclusive access to $8.3 billion of funding capacity. 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. Growth in total capacity at Ally Bank has been offset by reductions in the parent company s committed capacity, which is consistent with our asset origination strategy. The reduction in committed capacity for the parent company has been coupled with a reduction in debt outstanding under the facilities, such that the unused capacity and related funding available solely to the parent company increased marginally year-over-year to $9.1 billion.

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

Committed Funding Facilities

	Outstanding		**Unused capacity (a)**		**Total capacity**	
	Sept. 30, 2011	**Dec. 31, 2010**	**Sept. 30, 2011**	**Dec. 31, 2010**	**Sept. 30, 2011**	**Dec. 31, 2010**
			($ in billions)			
Bank funding						
Secured	$ 5.4	$ 6.4	$ 4.1	$ 1.9	$ 9.5	$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.3	0.8	0.5		0.8	0.8
Secured						
Automotive Finance operations and other (b)	11.1	8.3	13.2	9.1	24.3	17.4
Mortgage operations	0.8	1.0	0.6	0.6	1.4	1.6
Total nonbank funding	12.2	10.1	14.3	9.7	26.5	19.8
Shared capacity (c)	0.1	0.2	4.0	3.9	4.1	4.1
Total committed facilities	$ 17.7	$ 16.7	$ 22.4	$ 15.5	$ 40.1	$ 32.2

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

(b) Unused capacity includes forward flow sale commitments to fund future asset originations in Brazil totaling $1.5 billion at September 30, 2011, and $1.2 billion at December 31, 2010. Also included at September 30, 2011, was unused capacity of $2.4 billion from two new Ally Credit Canada facilities completed in the third quarter that was substantially utilized in early October to refinance existing debt outstanding.

(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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	Outstanding		Unused capacity (a) December 31,		Total capacity	
	2010	2009	2010	2009	2010	2009
			($ in billions)			
Bank funding						
Secured	$ 6.4	$	$ 1.9	$	$ 8.3	$
Nonbank funding						
Unsecured						
Automotive Finance operations	0.8	0.7		0.1	0.8	0.8
Secured						
Automotive Finance operations and other	8.3	23.0	9.1	9.0	17.4	32.0
Mortgage operations	1.0	1.7	0.6	0.4	1.6	2.1
Total nonbank funding	10.1	25.4	9.7	9.5	19.8	34.9
Shared capacity (b)	0.2	0.8	3.9	3.2	4.1	4.0
Total committed facilities	16.7	26.2	15.5	12.7	32.2	38.9
Whole-loan forward flow agreements (c)				9.4		9.4
Total	$ 16.7	$ 26.2	$ 15.5	$ 22.1	$ 32.2	$ 48.3

(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.

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

Uncommitted Funding Facilities

	Outstanding		Unused capacity		Total capacity	
	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2011	Dec. 31, 2010
			($ in billions)			
Bank funding						
Secured						
Federal Reserve funding programs	$	$	$ 3.2	$ 4.0	$ 3.2	$ 4.0
FHLB advances	4.1	5.3	1.7	0.2	5.8	5.5
Total bank funding	4.1	5.3	4.9	4.2	9.0	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.7	1.4	0.5	0.6	2.2	2.0
Secured						
Automotive Finance operations	0.1	0.1	0.1		0.2	0.1
Mortgage operations			0.1	0.1	0.1	0.1

Total nonbank funding	1.8	1.5	0.7	0.7	2.5	2.2
Total uncommitted facilities	$ 5.9	$ 6.8	$ 5.6	$ 4.9	$ 11.5	$ 11.7

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	Outstanding		Unused capacity		Total capacity	
	December 31,					
	2010	2009	2010	2009	2010	2009
	($ in billions)					
Bank funding						
Secured						
Federal Reserve funding programs	$	$ 5.0	$ 4.0	$ 2.8	$ 4.0	$ 7.8
FHLB advances	5.3	5.1	0.2	0.8	5.5	5.9
Total bank funding	5.3	10.1	4.2	3.6	9.5	13.7
Nonbank funding						
Unsecured						
Automotive Finance operations	1.4	0.8	0.6	0.1	2.0	0.9
Secured						
Automotive Finance operations	0.1	0.3		0.1	0.1	0.4
Mortgage operations						