

Ally Financial Inc.
Form 10-Q
April 27, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2012, or
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

38-0572512

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

200 Renaissance Center

P.O. Box 200, Detroit, Michigan

48265-2000

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

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

Yes No

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

Yes No

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

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

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

Yes No

At April 27, 2012, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

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Condensed Consolidated Statement of Comprehensive Income (unaudited)

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(\$ in millions)	Three months ended	
	March 31, 2012	2011
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	\$1,678	\$1,621
Interest on loans held-for-sale	73	84
Interest on trading assets	11	3
Interest and dividends on available-for-sale investment securities	84	103
Interest-bearing cash	14	12
Operating leases	540	655
Total financing revenue and other interest income	2,400	2,478
Interest expense		
Interest on deposits	186	166
Interest on short-term borrowings	75	92
Interest on long-term debt	1,177	1,406
Total interest expense	1,438	1,664
Depreciation expense on operating lease assets	293	270
Net financing revenue	669	544
Other revenue		
Servicing fees	310	357
Servicing asset valuation and hedge activities, net	9	(87)
Total servicing income, net	319	270
Insurance premiums and service revenue earned	375	399
Gain on mortgage and automotive loans, net	126	90
Loss on extinguishment of debt	—	(39)
Other gain on investments, net	90	84
Other income, net of losses	277	204
Total other revenue	1,187	1,008
Total net revenue	1,856	1,552
Provision for loan losses	140	113
Noninterest expense		
Compensation and benefits expense	475	424
Insurance losses and loss adjustment expenses	159	170
Other operating expenses	716	746
Total noninterest expense	1,350	1,340
Income from continuing operations before income tax expense (benefit)	366	99
Income tax expense (benefit) from continuing operations	64	(70)
Net income from continuing operations	302	169
Income (loss) from discontinued operations, net of tax	8	(23)
Net income	310	146
Other comprehensive income (loss), net of tax	187	(25)
Comprehensive income	\$497	\$121

Statement continues on the next page.

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)

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(\$ in millions except per share data)	Three months ended	
	March 31,	
	2012	2011
Net income (loss) attributable to common shareholders		
Net income from continuing operations	\$302	\$169
Preferred stock dividends — U.S. Department of Treasury	(134)	(134)
Preferred stock dividends	(67)	(69)
Impact of preferred stock amendment	—	32
Net income (loss) from continuing operations attributable to common shareholders (a)	101	(2)
Income (loss) from discontinued operations, net of tax	8	(23)
Net income (loss) attributable to common shareholders	\$109	\$(25)
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net income (loss) from continuing operations	\$76	\$(2)
Income (loss) from discontinued operations, net of tax	6	(17)
Net income (loss)	\$82	\$(19)
Diluted earnings per common share (a)		
Net income (loss) from continuing operations	\$76	\$(2)
Income (loss) from discontinued operations, net of tax	6	(17)
Net income (loss)	\$82	\$(19)

Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net income (loss) attributable to common shareholders for the three months ended (a) March 31, 2012 and 2011, income (loss) attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

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Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	March 31, 2012	December 31, 2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$2,279	\$2,475
Interest-bearing	10,800	10,560
Total cash and cash equivalents	13,079	13,035
Trading assets	895	622
Investment securities	14,942	15,135
Loans held-for-sale, net (\$1,823 and \$3,919 fair value-elected)	6,670	8,557
Finance receivables and loans, net		
Finance receivables and loans, net (\$832 and \$835 fair value-elected)	119,818	114,755
Allowance for loan losses	(1,546)	(1,503)
Total finance receivables and loans, net	118,272	113,252
Investment in operating leases, net	10,048	9,275
Mortgage servicing rights	2,595	2,519
Premiums receivable and other insurance assets	1,876	1,853
Other assets	16,965	18,741
Assets of operations held-for-sale	1,008	1,070
Total assets	\$186,350	\$184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$2,314	\$2,029
Interest-bearing	44,892	43,021
Total deposit liabilities	47,206	45,050
Short-term borrowings	7,203	7,680
Long-term debt (\$828 and \$830 fair value-elected)	93,990	92,794
Interest payable	1,675	1,587
Unearned insurance premiums and service revenue	2,632	2,576
Reserves for insurance losses and loss adjustment expenses	565	580
Accrued expenses and other liabilities (\$30 and \$29 fair value-elected)	13,089	14,084
Liabilities of operations held-for-sale	323	337
Total liabilities	166,683	164,688
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,215)	(7,324)
Accumulated other comprehensive income	274	87
Total equity	19,667	19,371
Total liabilities and equity	\$186,350	\$184,059

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

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Condensed Consolidated Balance Sheet (unaudited)

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

(\$ in millions)	March 31, 2012	December 31, 2011
Assets		
Loans held-for-sale, net	\$8	\$9
Finance receivables and loans, net		
Finance receivables and loans, net (\$832 and \$835 fair value-elected)	41,281	40,935
Allowance for loan losses	(205	) (210
Total finance receivables and loans, net	41,076	40,725
Investment in operating leases, net	4,758	4,389
Other assets	3,403	3,029
Total assets	\$49,245	\$48,152
Liabilities		
Short-term borrowings	\$814	\$795
Long-term debt (\$828 and \$830 fair value-elected)	34,924	33,143
Interest payable	13	14
Accrued expenses and other liabilities	119	405
Total liabilities	\$35,870	\$34,357

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2011	\$19,668	\$5,685	\$1,287	\$ (6,410)	) \$ 259	\$20,489
Net income				146		146
Preferred stock dividends — U.S. Department of Treasury				(134)	)	(134)
Preferred stock dividends Series A preferred stock amendment (a)			(32)	) 32		—
Other comprehensive loss, net of tax					(25)	) (25)
Balance at March 31, 2011	\$19,668	\$5,685	\$1,255	\$ (6,435)	) \$ 234	\$20,407
Balance at January 1, 2012	\$19,668	\$5,685	\$1,255	\$ (7,324)	) \$ 87	\$19,371
Net income				310		310
Preferred stock dividends — U.S. Department of Treasury				(134)	)	(134)
Preferred stock dividends				(67)	)	(67)
Other comprehensive income, net of tax					187	187
Balance at March 31, 2012	\$19,668	\$5,685	\$1,255	\$ (7,215)	) \$ 274	\$19,667

(a) Refer to Note 20 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for further detail.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, (\$ in millions)	2012	2011
Operating activities		
Net income	\$310	\$146
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	568	717
Other impairment	(6	) 16
Changes in fair value of mortgage servicing rights	(1	) (117
Provision for loan losses	140	113
Gain on sale of loans, net	(131	) (94
Net gain on investment securities	(96	) (85
Loss on extinguishment of debt	—	39
Originations and purchases of loans held-for-sale	(9,626	) (12,635
Proceeds from sales and repayments of loans held-for-sale	11,111	15,835
Net change in		
Trading securities	(268	) 77
Deferred income taxes	(31	) 69
Interest payable	86	16
Other assets	755	(120
Other liabilities	(865	) (321
Other, net	196	(614
Net cash provided by operating activities	2,142	3,042
Investing activities		
Purchases of available-for-sale securities	(3,172	) (5,529
Proceeds from sales of available-for-sale securities	2,940	4,475
Proceeds from maturities of available-for-sale securities	1,222	1,103
Net increase in finance receivables and loans	(4,409	) (4,249
Purchases of operating lease assets	(1,468	) (1,933
Disposals of operating lease assets	465	1,882
Proceeds from sale of business units, net (a)	29	46
Other, net	323	591
Net cash used in investing activities	(4,070	) (3,614

Statement continues on the next page.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, (\$ in millions)	2012	2011
Financing activities		
Net change in short-term borrowings	(546)	87
Net increase in bank deposits	1,737	1,670
Proceeds from issuance of long-term debt	10,749	13,804
Repayments of long-term debt	(10,024)	(13,211)
Dividends paid	(200)	(228)
Other, net	352	83
Net cash provided by financing activities	2,068	2,205
Effect of exchange-rate changes on cash and cash equivalents	(141)	(266)
Net (decrease) increase in cash and cash equivalents	(1)	1,367
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	45	(91)
Cash and cash equivalents at beginning of year	13,035	11,670
Cash and cash equivalents at March 31,	\$13,079	\$12,946
Supplemental disclosures		
Cash paid for		
Interest	\$1,218	\$1,465
Income taxes	178	305
Noncash items		
Transfer of mortgage servicing rights into trading securities through certification	—	266
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	63	58

(a) The amounts are net of cash and cash equivalents of \$64 million at March 31, 2012, and \$7 million at March 31, 2011, of business units at the time of disposition.

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

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

The Condensed Consolidated Financial Statements at March 31, 2012, and for the three months ended March 31, 2012, and 2011, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2011, as filed on February 28, 2012, with the U.S. Securities and Exchange Commission (SEC).

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries continues to be negatively impacted by the events and conditions in the mortgage banking industry and the broader economy that began in 2007. Market deterioration has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and has recognized credit and valuation losses and other charges resulting in a significant deterioration in capital. In the future, ResCap may also continue to be negatively impacted by exposure to representation and warranty obligations, adverse outcomes with respect to current or future litigation, fines, penalties, or settlements related to our mortgage-related activities, and additional expenses to address regulatory requirements. ResCap is required to maintain consolidated tangible net worth, as defined, of \$250 million at the end of each month, under the terms of certain of its credit facilities. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. ResCap's consolidated tangible net worth was \$399 million at March 31, 2012, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. During the fourth quarter of 2011, ResCap's consolidated tangible net worth was temporarily reduced to below \$250 million. This was, however, immediately remediated by Ally through a capital contribution, which was provided through forgiveness of intercompany debt during January 2012.

Notwithstanding the immediate cure, the temporary reduction in tangible net worth resulted in a covenant breach in certain of ResCap's credit facilities as of December 31, 2011. ResCap obtained waivers from all applicable lenders with respect to this covenant breach and an acknowledgment letter from a Government-sponsored Enterprise indicating they would take no immediate action as a result of the breach. In the future, Ally may choose not to remediate any further breaches of covenants.

ResCap did not make a semi-annual interest payment that was due on April 17, 2012, related to \$473 million of unsecured debt principal, which matures in 2013. The interest due was \$20 million. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days. ResCap has significant additional near-term interest and principal payments on its outstanding

debt securities and credit facilities.

Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should Ally no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At December 31, 2011, Ally had funding arrangements with ResCap that included \$1.0 billion of senior secured credit facilities (the Senior Secured Facilities) and a \$1.6 billion line of credit (Line of Credit) consisting of a \$1.1 billion secured facility and a \$500 million unsecured facility. The Senior Secured Facilities and Line of Credit had a maturity date of April 13, 2012. Ally extended the maturity date of the Senior Secured Facilities and the \$1.1 billion secured facility under the Line of Credit to May 14, 2012. The \$500 million unsecured facility under the Line of Credit was not extended. At March 31, 2012, the \$1.0 billion in Senior Secured Facilities were fully drawn, and \$410 million of the remaining \$1.1 billion Line of Credit was drawn. At March 31, 2012, the hedging arrangements were fully collateralized.

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Notes to Condensed Consolidated Financial Statements (unaudited)

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Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap's repayments of its secured financing facilities to us could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our \$399 million investment related to ResCap's equity position as of March 31, 2012, would likely be reduced to zero. If a ResCap bankruptcy were to occur, we could incur significant charges, substantial litigation could result, and repayment of our credit exposure to ResCap could be at risk. We currently estimate a range of reasonably possible losses arising at the time of a ResCap bankruptcy filing, including our investment in ResCap, to be between \$400 million and \$1.25 billion. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material.

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. We exclude and record discretely the tax effect of unusual or infrequently occurring items, including, for example, changes in judgment about valuation allowances and effects of changes in tax law or rates. The provision for income taxes in tax jurisdictions with a projected full year or year-to-date loss for which a tax benefit cannot be realized are estimated using tax rates specific to that jurisdiction.

Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

As of January 1, 2012, we adopted Accounting Standards Update (ASU) 2010-26, which amends ASC 944, Financial Services - Insurance. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. Both retrospective application and early adoption was permitted. We elected prospective application and did not early adopt the ASU. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)

As of January 1, 2012, we adopted ASU 2011-04, which amends ASC 820, Fair Value Measurements. The amendments in this ASU clarify how to measure fair value and it contains new disclosure requirements to provide more transparency into Level 3 fair value measurements. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRS. The ASU must be applied prospectively. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles-Goodwill and Other - Testing Goodwill for Impairment (ASU 2011-08)

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, Intangibles-Goodwill and Other. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be

required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operation.

Recently Issued Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11)

In December 2011, the Financial Accounting Standards Board issued ASU 2011-11, which amends ASC 210, Balance Sheet. This ASU contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 is effective for us on January 1, 2013, and retrospective application is required. Since the guidance relates only to disclosures, adoption is not expected to have a material effect on our consolidated financial condition or results of operation.

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2. Discontinued and Held-for-sale Operations

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

Select Mortgage — Legacy Portfolio and Other Operations

During the fourth quarter of 2011, we committed to sell the Canadian mortgage operations of ResMor Trust. We expect to complete the sale during 2012.

Select Global Automotive Services — Insurance Operations

During the fourth quarter of 2011, we committed to sell our U.K.-based operations that provide vehicle service contracts and insurance products in Europe and Latin America. We expect to complete the sale during 2012. During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business.

Select Global Automotive Services — International Automotive Finance Operations

During the fourth quarter of 2011, we committed to sell our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain. We continue to negotiate with a potential buyer and expect to complete the sale during 2012. During the first quarter of 2012, we completed the sale of our Venezuela operations.

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

(\$ in millions)	Three months ended	
	March 31, 2012	2011
Select Mortgage — Legacy and Other operations		
Total net revenue (loss)	\$5	\$(2)
Pretax loss including direct costs to transact a sale	—	(8)
Tax benefit	—	(2)
Select Global Automotive Services — Insurance operations		
Total net revenue	\$38	\$91
Pretax income including direct costs to transact a sale	8	9
Tax expense	2	2
Select Global Automotive Services — International operations		
Total net revenue	\$6	\$28
Pretax income (loss) including direct costs to transact a sale (a)	2	(21)
Tax expense	—	3

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

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Held-for-sale Operations

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

March 31, 2012 (\$ in millions)	Select Mortgage – Legacy and Other operations (a)	Select Global Automotive Services –Insurance operations (b)	Select Global Automotive Services – International operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$—	\$3	\$27	\$30
Interest-bearing	—	70	5	75
Total cash and cash equivalents	—	73	32	105
Investment securities	—	193	—	193
Loans held-for-sale, net	202	—	—	202
Finance receivables and loans, net				
Finance receivables and loans, net	237	—	4	241
Allowance for loan losses	—	—	—	—
Total finance receivables and loans, net	237	—	4	241
Investment in operating leases, net	—	—	64	64
Premiums receivable and other insurance assets	—	74	—	74
Other assets	124	19	20	163
Impairment on assets of held-for-sale operations	—	—	(34	) (34
Total assets	\$563	\$359	\$86	\$1,008
Liabilities				
Unearned insurance premiums and service revenue	\$—	\$136	\$—	\$136
Reserves for insurance losses and loss adjustment expenses	—	17	—	17
Accrued expenses and other liabilities	69	93	8	170
Total liabilities	\$69	\$246	\$8	\$323

(a) Includes the Canadian mortgage operations of ResMor Trust.

(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.

(c) Includes our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

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December 31, 2011 (\$ in millions)	Select Mortgage – Legacy and Other operations (a)	Select Global Automotive Services –Insurance operations (b)	Select Global Automotive Services – International operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$—	\$4	\$55	\$59
Interest-bearing	—	54	38	92
Total cash and cash equivalents	—	58	93	151
Investment securities	—	186	—	186
Loans held-for-sale, net	260	—	—	260
Finance receivables and loans, net				
Finance receivables and loans, net	285	—	11	296
Allowance for loan losses	—	—	(1	) (1
Total finance receivables and loans, net	285	—	10	295
Investment in operating leases, net	—	—	91	91
Premiums receivable and other insurance assets	—	77	—	77
Other assets	140	14	30	184
Impairment on assets of held-for-sale operations	—	—	(174	) (174
Total assets	\$685	\$335	\$50	\$1,070
Liabilities				
Unearned insurance premiums and service revenue	\$—	\$130	\$—	\$130
Reserves for insurance losses and loss adjustment expenses	—	17	—	17
Accrued expenses and other liabilities	80	82	28	190
Total liabilities	\$80	\$229	\$28	\$337

(a) Includes the Canadian mortgage operations of ResMor Trust.

(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.

(c) Includes the operations of Venezuela and our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

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Recurring Fair Value

The following tables display the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 21 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

(\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
March 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 192	\$—	\$—	\$ 192
Corporate debt	1	—	—	1
Other assets				
Interest retained in financial asset sales	—	—	58	58
Total assets	\$ 193	\$—	\$ 58	\$ 251
December 31, 2011				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 171	\$ 15	\$—	\$ 186
Other assets				
Interest retained in financial asset sales	—	—	66	66
Total assets	\$ 171	\$ 15	\$ 66	\$ 252

3. Other Income, Net of Losses

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

(\$ in millions)	Three months ended	
	March 31, 2012	2011
Mortgage processing fees and other mortgage income	\$ 124	\$ 44
Late charges and other administrative fees	31	33
Income from equity-method investments	29	22
Remarketing fees	20	37
Fair value adjustment on derivatives (a)	11	(14)
Securitization income	1	28
Change due to fair value option elections (b)	(14)	(17)
Other, net	75	71
Total other income, net of losses	\$ 277	\$ 204

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

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

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4. Other Operating Expenses

Details of other operating expenses were as follows.

(\$ in millions)	Three months ended	
	March 31,	
	2012	2011
Technology and communications	\$126	\$119
Professional services	116	66
Insurance commissions	112	118
Lease and loan administration	46	44
Advertising and marketing	39	54
Regulatory and licensing fees	36	37
Premises and equipment depreciation	25	26
Vehicle remarketing and repossession	25	36
Occupancy	24	22
State and local non-income taxes	24	31
Mortgage representation and warranty obligation, net	19	26
Other	124	167
Total other operating expenses	\$716	\$746

5. Trading Assets

The composition of trading assets was as follows.

(\$ in millions)	March 31, 2012	December 31, 2011
Mortgage-backed residential trading securities	\$883	\$608
Trading derivatives	12	14
Total trading assets	\$895	\$622

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6. Investment Securities

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

(\$ in millions)	March 31, 2012				December 31, 2011			
	Amortized cost	Gross gains	unrealized losses	Fair value	Amortized cost	Gross gains	unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$1,438	\$7	\$(1)	\$1,444	\$1,535	\$13	\$(2)	\$1,546
States and political subdivisions	1	—	—	1	1	—	—	1
Foreign government	851	14	(1)	864	765	20	(1)	784
Mortgage-backed residential (a)	6,773	71	(25)	6,819	7,266	87	(41)	7,312
Asset-backed	2,679	33	(5)	2,707	2,600	28	(13)	2,615
Corporate debt	1,514	45	(8)	1,551	1,486	23	(18)	1,491
Other	582	—	—	582	326	1	—	327
Total debt securities	13,838	170	(40)	13,968	13,979	172	(75)	14,076
Equity securities	1,046	24	(96)	974	1,188	25	(154)	1,059
Total available-for-sale securities (b)	\$14,884	\$194	\$(136)	\$14,942	\$15,167	\$197	\$(229)	\$15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$5,234 million and \$6,114 million at March 31, 2012, and December 31, 2011, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$16 million at both March 31, 2012, and December 31, 2011.

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
(\$ in millions)										
March 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$1,444	0.8 %	\$241	— %	\$1,201	1.0 %	\$2	2.2 %	\$—	— %
States and political subdivisions	1	5.4	—	—	—	—	—	—	1	5.4
Foreign government	864	3.8	65	7.4	555	4.0	244	2.5	—	—
Mortgage-backed residential	6,819	2.4	—	—	6	6.2	237	1.9	6,576	2.4
Asset-backed	2,707	2.1	—	—	1,611	1.9	522	2.0	574	3.0
Corporate debt	1,551	4.9	13	5.8	727	4.3	686	5.4	124	5.2
Other	582	1.4	571	1.4	—	—	11	4.1	—	—
Total available-for-sale debt securities	\$13,968	2.5	\$890	1.5	\$4,100	2.3	\$1,702	3.4	\$7,275	2.5
Amortized cost of available-for-sale debt securities	\$13,838		\$890		\$4,058		\$1,673		\$7,217	
December 31, 2011										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$1,546	0.9 %	\$231	— %	\$1,202	0.9 %	\$113	2.2 %	\$—	— %
States and political subdivisions	1	5.4	—	—	—	—	—	—	1	5.4
Foreign government	784	4.4	77	7.7	506	4.3	201	3.3	—	—
Mortgage-backed residential	7,312	2.5	3	4.8	2	6.3	189	2.6	7,118	2.5
Asset-backed	2,615	2.1	—	—	1,599	1.9	574	1.9	442	3.2
Corporate debt	1,491	4.9	19	4.9	741	4.4	606	5.6	125	4.7
Other	327	1.4	316	1.3	—	—	11	4.6	—	—
Total available-for-sale debt securities	\$14,076	2.6	\$646	1.7	\$4,050	2.4	\$1,694	3.5	\$7,686	2.6
Amortized cost of available-for-sale debt securities	\$13,979		\$644		\$4,026		\$1,678		\$7,631	
(a)										

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

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

The balances of cash equivalents were \$5.2 billion and \$5.6 billion at March 31, 2012, and December 31, 2011, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities. During the three months ended March 31, 2012, we did not recognize any other-than-temporary impairment on available-for-sale securities.

(\$ in millions)	Three months ended	
	March 31, 2012	2011
Gross realized gains	\$98	\$94
Gross realized losses	(8) (10
Net realized gains	\$90	\$84

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

(\$ in millions)	Three months ended March 31,	
	2012	2011
Taxable interest	\$79	\$98
Taxable dividends	5	5
Interest and dividends on available-for-sale securities	\$84	\$103

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of March 31, 2012, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of March 31, 2012, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at March 31, 2012. Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

(\$ in millions)	March 31, 2012				December 31, 2011			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$477	\$—	\$—	\$—	\$179	\$(2)	\$—	\$—
Foreign government	231	(1)	—	—	197	(1)	—	—
Mortgage-backed residential	2,499	(23)	72	(3)	2,302	(39)	45	(2)
Asset-backed	624	(5)	8	—	994	(13)	1	—
Corporate debt	241	(7)	14	(1)	444	(16)	30	(2)
Total temporarily impaired debt securities	4,072	(36)	94	(4)	4,116	(71)	76	(4)
Temporarily impaired equity securities	450	(65)	91	(31)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	\$4,522	\$(101)	\$185	\$(35)	\$4,886	\$(219)	\$94	\$(10)

7. Loans Held-for-Sale, Net

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$623	\$—	\$623	\$425	\$—	\$425
Consumer mortgage						
1st Mortgage	5,299	35	5,334	7,360	12	7,372

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Home equity	713	—	713	740	—	740
Total consumer mortgage (a)	6,012	35	6,047	8,100	12	8,112
Commercial and industrial						
Other	—	—	—	20	—	20
Total loans held-for-sale (b)	\$6,635	\$35	\$6,670	\$8,545	\$12	\$8,557

(a) Fair value option-elected domestic consumer mortgages were \$1.8 billion and \$3.9 billion at March 31, 2012, and December 31, 2011, respectively. Refer to Note 21 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of \$275 million and \$221 million at March 31, 2012, and December 31, 2011, respectively.

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

(\$ in millions)	March 31, 2012	December 31, 2011
High original loan-to-value (greater than 100%) mortgage loans	\$577	\$423
Payment-option adjustable-rate mortgage loans	13	12
Interest-only mortgage loans	283	298
Below-market rate (teaser) mortgages	167	169
Total higher-risk mortgage loans held-for-sale (a)	\$1,040	\$902

(a) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at March 31, 2012, and December 31, 2011.

8. Finance Receivables and Loans, Net

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$49,444	\$17,770	\$67,214	\$46,576	\$16,883	\$63,459
Consumer mortgage						
1st Mortgage	6,929	9	6,938	6,867	24	6,891
Home equity	3,020	—	3,020	3,102	—	3,102
Total consumer mortgage	9,949	9	9,958	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	28,197	8,407	36,604	26,552	8,265	34,817
Mortgage	1,377	26	1,403	1,887	24	1,911
Other	1,204	56	1,260	1,178	63	1,241
Commercial real estate						
Automobile	2,372	160	2,532	2,331	154	2,485
Mortgage	—	15	15	—	14	14
Total commercial	33,150	8,664	41,814	31,948	8,520	40,468
Loans at fair value (a)	589	243	832	603	232	835
Total finance receivables and loans (b)	\$93,132	\$26,686	\$119,818	\$89,096	\$25,659	\$114,755

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

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$3.0 billion and \$2.9 billion at March 31, 2012, and December 31, 2011, respectively.

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

Three months ended March 31, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$766	\$516	\$221	\$1,503
Charge-offs				
Domestic	(100)	(45)	(2)	(147)
Foreign	(36)	—	—	(36)
Total charge-offs	(136)	(45)	(2)	(183)
Recoveries				
Domestic	46	2	7	55
Foreign	16	—	5	21
Total recoveries	62	2	12	76
Net charge-offs	(74)	(43)	10	(107)
Provision for loan losses	133	28	(21)	140
Other	7	—	3	10
Allowance at March 31, 2012	\$832	\$501	\$213	\$1,546
Allowance for loan losses				
Individually evaluated for impairment	\$8	\$168	\$47	\$223
Collectively evaluated for impairment	816	333	166	1,315
Loans acquired with deteriorated credit quality	8	—	—	8
Finance receivables and loans at historical cost				
Ending balance	67,214	9,958	41,814	118,986
Individually evaluated for impairment	88	619	367	1,074
Collectively evaluated for impairment	67,055	9,339	41,447	117,841
Loans acquired with deteriorated credit quality	71	—	—	71

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

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

(\$ in millions)	Three months ended March 31,	
	2012	2011
Consumer mortgage	\$40	\$65
Commercial	—	6
Total sales and transfers	\$40	\$71

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

(\$ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
March 31, 2012						
Consumer automobile	\$612	\$124	\$186	\$922	\$66,292	\$ 67,214
Consumer mortgage						
1st Mortgage	91	34	165	290	6,648	6,938
Home equity	16	10	16	42	2,978	3,020
Total consumer mortgage	107	44	181	332	9,626	9,958
Commercial						
Commercial and industrial						
Automobile	3	3	64	70	36,534	36,604
Mortgage	26	—	—	26	1,377	1,403
Other	—	—	1	1	1,259	1,260
Commercial real estate						
Automobile	2	—	25	27	2,505	2,532
Mortgage	—	—	15	15	—	15
Total commercial	31	3	105	139	41,675	41,814
Total consumer and commercial	\$750	\$171	\$472	\$1,393	\$117,593	\$ 118,986
December 31, 2011						
Consumer automobile	\$802	\$162	\$179	\$1,143	\$62,316	\$ 63,459
Consumer mortgage						
1st Mortgage	91	35	162	288	6,603	6,891
Home equity	21	11	18	50	3,052	3,102
Total consumer mortgage	112	46	180	338	9,655	9,993
Commercial						
Commercial and industrial						
Automobile	—	1	126	127	34,690	34,817
Mortgage	—	—	—	—	1,911	1,911
Other	—	—	1	1	1,240	1,241
Commercial real estate						
Automobile	2	1	34	37	2,448	2,485
Mortgage	—	2	12	14	—	14
Total commercial	2	4	173	179	40,289	40,468
Total consumer and commercial	\$916	\$212	\$532	\$1,660	\$112,260	\$ 113,920

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

(\$ in millions)	March 31, 2012	December 31, 2011
Consumer automobile	\$245	\$228
Consumer mortgage		
1st Mortgage	246	281
Home equity	52	58
Total consumer mortgage	298	339
Commercial		
Commercial and industrial		
Automobile	174	223
Mortgage	26	—
Other	33	37
Commercial real estate		
Automobile	54	67
Mortgage	15	12
Total commercial	302	339
Total consumer and commercial finance receivables and loans	\$845	\$906

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

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$66,969	\$245	\$67,214	\$63,231	\$228	\$63,459
Consumer mortgage						
1st Mortgage	6,692	246	6,938	6,610	281	6,891
Home equity	2,968	52	3,020	3,044	58	3,102
Total consumer mortgage	\$9,660	\$298	\$9,958	\$9,654	\$339	\$9,993

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$34,338	\$2,266	\$36,604	\$32,464	\$2,353	\$34,817
Mortgage	1,250	153	1,403	1,760	151	1,911
Other	913	347	1,260	883	358	1,241
Commercial real estate						
Automobile	2,354	178	2,532	2,305	180	2,485

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Mortgage	—	15	15	—	14	14
Total commercial	\$38,855	\$2,959	\$41,814	\$37,412	\$3,056	\$40,468

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

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Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

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

(\$ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2012					
Consumer automobile	\$88	\$88	\$—	\$88	\$8
Consumer mortgage					
1st Mortgage	526	518	88	430	124
Home equity	100	101	—	101	44
Total consumer mortgage	626	619	88	531	168
Commercial					
Commercial and industrial					
Automobile	169	169	82	87	12
Mortgage	26	26	—	26	11
Other	33	33	21	12	5
Commercial real estate					
Automobile	59	59	29	30	13
Mortgage	15	15	2	13	5
Total commercial	302	302	134	168	46
Total consumer and commercial finance receivables and loans	\$1,016	\$1,009	\$222	\$787	\$222
December 31, 2011					
Consumer automobile	\$69	\$69	\$—	\$69	\$7
Consumer mortgage					
1st Mortgage	516	508	83	425	126
Home equity	97	98	—	98	46
Total consumer mortgage	613	606	83	523	172
Commercial					
Commercial and industrial					
Automobile	222	222	64	158	22
Mortgage	—	—	—	—	—
Other	37	37	25	12	5
Commercial real estate					
Automobile	68	68	32	36	18
Mortgage	12	12	1	11	5
Total commercial	339	339	122	217	50
Total consumer and commercial finance receivables and loans	\$1,021	\$1,014	\$205	\$809	\$229

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

Three months ended March 31, (\$ in millions)	2012		2011	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$83	\$2	\$—	\$—
Consumer mortgage				
1st Mortgage	512	4	423	4
Home equity	100	1	85	1
Total consumer mortgage	612	5	508	5
Commercial				
Commercial and industrial				
Automobile	196	2	336	—
Mortgage	7	—	42	5
Other	34	—	128	1
Commercial real estate				
Automobile	63	—	178	—
Mortgage	15	—	63	1
Total commercial	315	2	747	7
Total consumer and commercial finance receivables and loans	\$1,010	\$9	\$1,255	\$12

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties.

Numerous initiatives, such as Home Affordable Modification Program are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including changing the due date, and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses at March 31, 2012, increased \$38 million to \$772 million from December 31, 2011. Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information.

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

Three months ended March 31, (\$ in millions)	2012			2011		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	2,792	\$ 33	\$ 33	1,228	\$ 17	\$ 17
Consumer mortgage						
1st Mortgage	77	28	27	127	44	44
Home equity	173	10	9	216	13	11
Total consumer mortgage	250	38	36	343	57	55
Commercial						
Commercial and industrial						
Automobile	3	3	3	1	3	3
Mortgage	—	—	—	—	—	—
Commercial real estate						
Automobile	1	2	2	—	—	—

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Mortgage	—	—	—	—	—	—
Total commercial	4	5	5	1	3	3
Total consumer and commercial finance receivables and loans	3,046	\$ 76	\$ 74	1,572	\$ 77	\$ 75

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The following table present information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans where default is defined as 90 days past due.

Three months ended March 31, (\$ in millions)	2012			2011		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	208	\$ 2	\$ 1	—	\$ —	\$ —
Consumer mortgage						
1st Mortgage	5	1	—	1	—	—
Home equity	4	1	1	2	—	—
Total consumer mortgage	9	2	1	3	—	—
Commercial						
Commercial and industrial						
Automobile	2	2	—	—	—	—
Total commercial	2	2	—	—	—	—
Total consumer and commercial finance receivables and loans	219	\$ 6	\$ 2	3	\$ —	\$ —

At March 31, 2012, and December 31, 2011, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$19 million and \$45 million, respectively.

Higher-Risk Mortgage Concentration Risk

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

(\$ in millions)	March 31, 2012	December 31, 2011
Interest-only mortgage loans (a)	\$2,828	\$2,947
Below-market rate (teaser) mortgages	240	248
Total higher-risk mortgage finance receivables and loans (b)	\$3,068	\$3,195

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

(b) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at March 31, 2012, and December 31, 2011.

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

(\$ in millions)	March 31, 2012	December 31, 2011
Vehicles and other equipment	\$11,983	\$11,160
Accumulated depreciation	(1,935)	(1,885)
Investment in operating leases, net	\$10,048	\$9,275

Depreciation expense on operating lease assets includes remarketing gains and losses recognized on the sale of operating lease assets. The following summarizes the components of depreciation expense on operating lease assets.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Depreciation expense on operating lease assets (excluding remarketing gains)	\$347	\$390

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Remarketing gains	(54) (120)
Depreciation expense on operating lease assets	\$293	\$270	

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10. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Consolidated Balance Sheet. We securitize consumer and commercial automobile loans and operating leases through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively the Government-Sponsored Enterprises or GSEs), or private-label mortgage securitizations. During the three months ended March 31, 2012 and 2011, our consumer mortgage loans were primarily securitized through the GSEs.

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

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

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

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

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

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing

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becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but generally, we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 24 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2012 and 2011.

Other Variable Interest Entities

Servicer Advance Funding Entity

To assist in the financing of our servicer advance receivables, we formed an SPE that issues variable funding notes to third-party investors that are collateralized by servicer advance receivables. These servicer advance receivables are transferred to the SPE and consist of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This SPE is consolidated on our balance sheet at March 31, 2012, and December 31, 2011. The beneficial interest holder of this SPE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the three months ended March 31, 2012 and 2011.

Other

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

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

Involvement with Variable Interest Entities

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

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

(\$ in millions)	Consolidated involvement with VIEs	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs	
March 31, 2012				
On-balance sheet variable interest entities				
Consumer automobile	\$28,953	\$—	\$—	
Consumer mortgage — private-label	1,086	—	—	
Commercial automobile	18,245	—	—	
Other	961	—	—	
Off-balance sheet variable interest entities				
Consumer mortgage — Ginnie Mae	2,665	(b) 43,317	43,317	(c)
Consumer mortgage — CMHC	62	(b) 3,131	62	(d)
Consumer mortgage — private-label	132	(b) 4,194	4,194	(c)
Consumer mortgage — other	—	—	(e) 16	(f)
Commercial other	48	(g) —	(h) 193	
Total	\$52,152	\$50,642	\$47,782	
December 31, 2011				
On-balance sheet variable interest entities				
Consumer automobile	\$26,504	\$—	\$—	
Consumer mortgage — private-label	1,098	—	—	
Commercial automobile	19,594	—	—	
Other	956	—	—	
Off-balance sheet variable interest entities				
Consumer mortgage — Ginnie Mae	2,652	(b) 44,127	44,127	(c)
Consumer mortgage — CMHC	66	(b) 3,222	66	(d)
Consumer mortgage — private-label	141	(b) 4,408	4,408	(c)
Consumer mortgage — other	—	—	(e) 17	(f)
Commercial other	83	(g) —	(h) 242	
Total	\$51,094	\$51,757	\$48,860	

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

(b) Includes \$2.4 billion and \$2.4 billion classified as mortgage loans held-for-sale, \$87 million and \$92 million classified as trading securities or other assets, and \$419 million and \$386 million classified as mortgage servicing rights at March 31, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation.

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

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

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

Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust.

(f) The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

(g) Includes \$65 million and \$100 million classified as finance receivables and loans, net, and \$20 million and \$20 million classified as other assets, offset by \$37 million and \$37 million classified as accrued expenses and other liabilities at March 31, 2012, and December 31, 2011, respectively.

(h) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.

On-balance Sheet Variable Interest Entities

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

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entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

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

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

Off-balance Sheet Variable Interest Entities

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

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

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

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

(\$ in millions)	Three months ended March 31,	
	2012	2011

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Consumer mortgage — GSEs	\$280	\$(3)
Consumer mortgage — private-label	—	(1)
Total pretax gain (loss)	\$280	\$(4)

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The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2012 and 2011. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, (\$ in millions)	Consumer mortgage GSEs	Consumer mortgage private-label
2012		
Cash proceeds from transfers completed during the period	\$ 10,645	\$—
Cash flows received on retained interests in securitization entities	—	14
Servicing fees	249	48
Purchases of previously transferred financial assets	(580	) (8
Representations and warranties obligations	(19	) (4
Other cash flows	10	23
2011		
Cash proceeds from transfers completed during the period	\$ 15,153	\$ 595
Cash flows received on retained interests in securitization entities	—	20
Servicing fees	220	43
Purchases of previously transferred financial assets	(554	) (7
Representations and warranties obligations	(44) —
Other cash flows	70	62

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

(\$ in millions)	Total Amount		Amount 60 days or more past due		Net credit losses	
	March 31,	December 31,	March 31,	December 31,	Three months ended	
	2012	2011	2012	2011	March 31,	March 31,
On-balance sheet loans						
Consumer automobile	\$67,837	\$ 63,884	\$ 310	\$ 341	\$74	\$112
Consumer mortgage (a)	16,837	18,940	3,202	3,242	20	94
Commercial automobile	39,136	37,302	92	162	—	3
Commercial mortgage	1,418	1,925	15	14	(1	) 16
Commercial other	1,260	1,261	1	1	(9	) 1
Total on-balance sheet loans	126,488	123,312	3,620	3,760	84	226
Off-balance sheet securitization entities						
Consumer mortgage — GSEs (b)	255,160	262,984	8,934	9,456	n/m	n/m
Consumer mortgage — private-label	61,686	63,991	11,070	11,301	749	1,289
Total off-balance sheet securitization entities	316,846	326,975	20,004	20,757	749	1,289
Whole-loan transactions (c)	29,516	33,961	2,116	2,901	142	215
Total	\$472,850	\$ 484,248	\$ 25,740	\$ 27,418	\$975	\$1,730

n/m = not meaningful

(a) Includes loans subject to conditional repurchase options of \$2.3 billion and \$2.3 billion guaranteed by the GSEs, and \$129 million and \$132 million sold to certain private-label mortgage securitization entities at March 31, 2012,

and December 31, 2011, respectively.

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

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

Changes in Accounting for Variable Interest Entities

For the three months ended March 31, 2012 and 2011, there were no material changes in the accounting for variable interest entities.

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11. Servicing Activities

Mortgage Servicing Rights

The following table summarizes activity related to MSR, which are carried at fair value. Although there are limited market transactions that are directly observable, management estimates fair value based on the price it believes would be received to sell the MSR asset in an orderly transaction under current market conditions.

Three months ended March 31, (\$ in millions)	2012	2011
Estimated fair value at January 1,	\$2,519	\$3,738
Additions recognized on sale of mortgage loans	75	184
Additions from purchases of servicing rights	—	2
Subtractions from sales of servicing assets	—	(266)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	163	297
Other changes in fair value	(162)	(181)
Estimated fair value at March 31,	\$2,595	\$3,774

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

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

(\$ in millions)	March 31, 2012	December 31, 2011
Weighted average life (in years)	5.2	4.7
Weighted average prepayment speed	12.1	% 15.7 %
Impact on fair value of 10% adverse change	\$(181)	\$(135)
Impact on fair value of 20% adverse change	(345)	(257)
Weighted average discount rate	12.0	% 10.2 %
Impact on fair value of 10% adverse change	\$(65)	\$(59)
Impact on fair value of 20% adverse change	(125)	(114)

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

Risk Mitigation Activities

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

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

(\$ in millions)	Three months ended March 31, 2012	2011
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Change in estimated fair value of mortgage servicing rights	\$1	\$117	
Change in fair value of derivative financial instruments	8	(204)
Servicing valuation and hedge activities, net	\$9	\$(87)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Contractual servicing fees, net of guarantee fees and including subservicing	\$226	\$257
Late fees	19	21
Ancillary fees	35	33
Total mortgage servicing fees	\$280	\$311

Mortgage Servicing Advances

In connection with our primary servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property, thus making their collection reasonably assured. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled \$1.8 billion and \$1.9 billion at March 31, 2012, and December 31, 2011, respectively. We maintain an allowance for uncollected primary servicing advances of \$43 million at both March 31, 2012, and December 31, 2011. Our potential obligation is influenced by the loan's performance and credit quality.

When we act as a subservicer of mortgage loans we perform the responsibilities of a primary servicer but do not own the corresponding primary servicing rights. We receive a fee from the primary servicer for such services. As the subservicer, we would have the same responsibilities of a primary servicer in that we would make certain payments of property taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At March 31, 2012, and December 31, 2011, outstanding servicer advances related to subserviced loans were \$127 million and \$125 million, respectively, and we had a reserve for uncollected subservicer advances of \$1.0 million and \$1.1 million, respectively.

In many cases, where we act as master servicer, we also act as primary servicer. In connection with our master-servicing activities, we service the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we are required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we are responsible for advancing the payment to the trust or whole-loan investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we are required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. We had outstanding master-servicing advances of \$190 million and \$158 million at March 31, 2012, and December 31, 2011, respectively. We had no reserve for uncollected master-servicing advances at March 31, 2012, or December 31, 2011.

Serviced Mortgage Assets

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

(\$ in millions)	March 31, 2012	December 31, 2011
On-balance sheet mortgage loans		
Held-for-sale and investment	\$17,115	\$18,871
Operations held-for-sale	436	541
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	48,514	50,886
GSEs	255,053	262,868

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Whole-loan	14,484	15,105
Purchased servicing rights	3,089	3,247
Operations held-for-sale	5,213	4,912
Total primary serviced mortgage loans	343,904	356,430
Subserviced mortgage loans	28,423	26,358
Subserviced operations held-for-sale	2	4
Total subserviced mortgage loans	28,425	26,362
Master-servicing-only mortgage loans	8,225	8,557
Total serviced mortgage loans	\$380,554	\$391,349

Our Mortgage operations that conduct primary and master-servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with GSEs. At March 31, 2012, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

At March 31, 2012, domestic insured private-label securitizations with an unpaid principal balance of \$5.4 billion contains provisions entitling the monoline or other provider of contractual credit support (surety providers) to declare a servicer default and terminate the servicer upon the failure of the loans to meet certain portfolio delinquency and/or cumulative loss thresholds. Securitizations with an unpaid principal balance of \$4.8 billion had breached a delinquency and/or cumulative loss threshold. We continue to receive service fee income with respect to these securitizations. Securitizations with an unpaid principal balance of \$574 million have not yet breached a delinquency or cumulative loss threshold. The value of the related MSR is \$4 million at March 31, 2012. Refer to Note 24 for additional information.

Automobile Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$30 million and \$46 million during the three months ended March 31, 2012 and 2011, respectively.

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

(\$ in millions)	March 31, 2012	December 31, 2011
On-balance sheet automobile loans and leases		
Consumer automobile	\$67,837	\$63,884
Commercial automobile	39,136	37,302
Operating leases	10,048	9,275
Operations held-for-sale	68	102
Off-balance sheet automobile loans		
Loans sold to third-party investors		
Whole-loan	10,456	12,318
Total serviced automobile loans and leases	\$127,545	\$122,881

12. Other Assets

The components of other assets were as follows.

(\$ in millions)	March 31, 2012	December 31, 2011
Property and equipment at cost	\$1,162	\$1,152
Accumulated depreciation	(802)	(787)
Net property and equipment	360	365
Fair value of derivative contracts in receivable position	4,175	5,687
Servicer advances	2,144	2,142
Restricted cash collections for securitization trusts (a)	1,830	1,596
Collateral placed with counterparties	1,425	1,448

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Other accounts receivable	1,176	1,110
Cash reserve deposits held-for-securitization trusts (b)	890	838
Restricted cash and cash equivalents	846	1,381
Debt issuance costs	610	612
Prepaid expenses and deposits	558	568
Goodwill	519	518
Real estate and other investments	411	385
Nonmarketable equity securities	394	419
Accrued interest and rent receivable	227	232
Interests retained in financial asset sales	194	231
Repossessed and foreclosed assets	150	141
Other assets	1,056	1,068
Total other assets	\$ 16,965	\$ 18,741

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

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

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13. Deposit Liabilities

Deposit liabilities consisted of the following.

(\$ in millions)	March 31, 2012	December 31, 2011
Domestic deposits		
Noninterest-bearing deposits	\$2,314	\$2,029
Interest-bearing deposits		
Savings and money market checking accounts	9,859	9,035
Certificates of deposit	29,348	28,540
Dealer deposits	1,860	1,769
Total domestic deposit liabilities	43,381	41,373
Foreign deposits		
Interest-bearing deposits		
Savings and money market checking accounts	1,536	1,408
Certificates of deposit	1,983	1,958
Dealer deposits	306	311
Total foreign deposit liabilities	3,825	3,677
Total deposit liabilities	\$47,206	\$45,050

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At March 31, 2012, and December 31, 2011, certificates of deposit included \$10.5 billion and \$10.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

14. Short-term Borrowings

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Demand notes	\$2,987	\$—	\$2,987	\$2,756	\$—	\$2,756
Bank loans and overdrafts	1,826	—	1,826	1,613	—	1,613
Federal Home Loan Bank	—	200	200	—	1,400	1,400
Securities sold under agreements to repurchase	—	561	561	—	—	—
Other (a)	173	1,456	1,629	146	1,765	1,911
Total short term borrowings	\$4,986	\$2,217	\$7,203	\$4,515	\$3,165	\$7,680

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

15. Long-term Debt

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

(\$ in millions)	March 31, 2012			December 31, 2011		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year (a)	\$11,438	\$15,139	\$26,577	\$11,664	\$14,521	\$26,185
Due after one year (b)	31,200	35,271	66,471	30,272	35,279	65,551
Fair value adjustment	942	—	942	1,058	—	1,058
Total long-term debt (c)	\$43,580	\$50,410	\$93,990	\$42,994	\$49,800	\$92,794

(a) Includes \$7.4 billion guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) at both March 31, 2012, and December 31, 2011.

- (b) Includes \$2.6 billion of trust preferred securities at both March 31, 2012, and December 31, 2011.
- (c) Includes fair value option-elected secured long-term debt of \$828 million and \$830 million at March 31, 2012, and December 31, 2011, respectively. Refer to Note 21 for additional information.

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The following table presents the scheduled remaining maturity of long-term debt at March 31, 2012, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	2012	2013	2014	2015	2016	2017 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$11,219	\$2,681	\$5,787	\$3,641	\$1,469	\$19,934	\$942	\$45,673
Original issue discount	(240)	(265)	(192)	(60)	(64)	(1,272)	—	(2,093)
Total unsecured	10,979	2,416	5,595	3,581	1,405	18,662	942	43,580
Secured								
Long-term debt	10,369	16,972	11,910	6,334	1,688	2,918	—	50,191
Troubled debt restructuring concession (a)	78	82	46	13	—	—	—	219
Total secured	10,447	17,054	11,956	6,347	1,688	2,918	—	50,410
Total long-term debt	\$21,426	\$19,470	\$17,551	\$9,928	\$3,093	\$21,580	\$942	\$93,990

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

The following table presents the scheduled remaining maturity of long-term debt held by ResCap at March 31, 2012, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	2012	2013	2014	2015	2016	2017 and thereafter	Fair value adjustment	Total
ResCap								
Unsecured debt								
Long-term debt	\$351	\$532	\$102	\$114	\$—	\$—	\$14	\$1,113
Secured debt								
Long-term debt	3	707	759	707	—	1,631	—	3,807
Troubled debt restructuring concession (a)	78	82	46	13	—	—	—	219
Total secured debt	81	789	805	720	—	1,631	—	4,026
ResCap — Total long-term debt	\$432	\$1,321	\$907	\$834	\$—	\$1,631	\$14	\$5,139

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

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

(\$ in millions)	March 31, 2012		December 31, 2011	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading securities	\$26	\$—	\$27	\$—
Investment securities	1,106	1,106	780	780
Loans held-for-sale	412	—	805	—
Mortgage assets held-for-investment and lending receivables	11,662	10,680	12,197	11,188
Consumer automobile finance receivables	33,429	18,195	33,888	17,320
Commercial automobile finance receivables	21,610	15,810	20,355	14,881
Investment in operating leases, net	4,964	395	4,555	431
Mortgage servicing rights	1,981	1,340	1,920	1,286
Other assets	4,063	1,973	3,973	1,816
Total assets restricted as collateral (b)	\$79,253	\$49,499	\$78,500	\$47,702
Secured debt (c)	\$52,627	\$27,694	\$52,965	\$25,533

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

Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling \$11.3 billion and \$11.8 billion at March 31, 2012, and December 31, 2011, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Under the agreement with

(b) the FHLB, Ally Bank also had assets pledged as collateral under a blanket-lien totaling \$7.9 billion and \$7.3 billion at March 31, 2012, and December 31, 2011, respectively. These assets were primarily composed of mortgage servicing rights; consumer and commercial mortgage finance receivables and loans, net; and other assets.

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

(c) Includes \$2.2 billion and \$3.2 billion of short-term borrowings at March 31, 2012, and December 31, 2011, respectively.

Trust Preferred Securities

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

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

Each Series 2 TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of

interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

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

As of March 31, 2012, Ally Bank had exclusive access to \$9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$3.9 billion committed facility that is shared with the parent company.

Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

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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 March 31, 2012, \$32.5 billion of our \$42.9 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2012, we had \$18.2 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

(\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
Bank funding						
Secured	\$4.7	\$5.8	\$4.8	\$3.7	\$9.5	\$9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	0.5	0.3	0.4	0.5	0.9	0.8
Secured						
Automotive Finance operations (b)	13.9	14.3	13.6	13.2	27.5	27.5
Mortgage operations	0.9	0.7	0.2	0.5	1.1	1.2
Total nonbank funding	15.3	15.3	14.2	14.2	29.5	29.5
Shared capacity (c)	0.1	1.6	3.8	2.5	3.9	4.1
Total committed facilities	\$20.1	\$22.7	\$22.8	\$20.4	\$42.9	\$43.1

(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.

Total unused capacity includes \$4.0 billion as of March 31, 2012, and \$4.9 billion as of December 31, 2011, from (b) certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

(\$ in billions)	Outstanding		Unused capacity		Total capacity	
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
Bank funding						
Secured						
Federal Reserve funding programs	\$—	\$—	\$2.9	\$3.2	\$2.9	\$3.2
FHLB advances	5.0	5.4	0.3	—	5.3	5.4
Repurchase agreements	0.6	—	—	—	0.6	—
Total bank funding	5.6	5.4	3.2	3.2	8.8	8.6
Nonbank funding						
Unsecured						
Automotive Finance operations	2.2	1.9	0.4	0.5	2.6	2.4
Secured						
Automotive Finance operations	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.3	2.0	0.5	0.7	2.8	2.7
Total uncommitted facilities	\$7.9	\$7.4	\$3.7	\$3.9	\$11.6	\$11.3

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16. Equity

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

	March 31, 2012	December 31, 2011
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value (\$ in millions)	\$5,685	\$5,685
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$50	\$50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	Fixed 9%	Fixed 9%
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value (\$ in millions)	\$1,021	\$1,021
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$25	\$25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5	% 8.5
On and after May 15, 2016	three month LIBOR + 6.243%	% three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value (\$ in millions)	\$234	\$234
Par value (per share)	\$0.01	\$0.01
Liquidation preference (per share)	\$1,000	\$1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	Fixed 7%	Fixed 7%
Redemption/call feature	Perpetual (e)	Perpetual (e)

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

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

(c) Nonredeemable prior to May 15, 2016.

(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.

(e) Redeemable beginning at December 31, 2011.

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17. Earnings per Common Share

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

(\$ in millions except per share data)	Three months ended March 31,	
	2012	2011
Net income from continuing operations	\$302	\$169
Preferred stock dividends — U.S. Department of Treasury	(134	) (134
Preferred stock dividends	(67	) (69
Impact of preferred stock amendment	—	32
Net income (loss) from continuing operations attributable to common shareholders (a)	101	(2
Income (loss) from discontinued operations, net of tax	8	(23
Net income (loss) attributable to common shareholders	\$109	\$(25
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net income (loss) from continuing operations	\$76	\$(2
Income (loss) from discontinued operations, net of tax	6	(17
Net income (loss)	\$82	\$(19
Diluted earnings per common share (a)		
Net income (loss) from continuing operations	\$76	\$(2
Income (loss) from discontinued operations, net of tax	6	(17
Net income (loss)	\$82	\$(19

Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net income (loss) attributable to common shareholders for the three months ended (a) March 31, 2012, and 2011, income (loss) attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months ended March 31, 2012 and 2011, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months ended March 31, 2012, and 2011, respectively.

18. Regulatory Capital

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate

cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10%

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and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes our capital ratios.

(\$ in millions)	March 31, 2012		December 31, 2011			Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio			
Risk-based capital							
Tier 1 (to risk-weighted assets)							
Ally Financial Inc.	\$21,398	13.50 %	\$21,158	13.71 %	4.00%	6.00%	
Ally Bank	13,189	16.90	12,953	17.42	4.00	6.00	
Total (to risk-weighted assets)							
Ally Financial Inc.	\$23,026	14.53 %	\$22,755	14.75 %	8.00%	10.00%	
Ally Bank	13,921	17.84	13,675	18.40	8.00	10.00	
Tier 1 leverage (to adjusted quarterly average assets) (a)							
Ally Financial Inc.	\$21,398	11.65 %	\$21,158	11.50 %	3.00–4.00%	(b)	
Ally Bank	13,189	15.61	12,953	15.50	15.00	(c) 5.00%	
Tier 1 common (to risk-weighted assets)							
Ally Financial Inc.	\$11,916	7.52 %	\$11,676	7.57 %	n/a	n/a	
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a	

n/a = not applicable

(a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At March 31, 2012, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

19. Derivative Instruments and Hedging Activities

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

associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

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

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

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

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

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

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

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

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

Foreign Currency Risk

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

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

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

We also have a centralized-lending program to manage liquidity for all of our subsidiary businesses.

Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies.

We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

We also periodically purchase nonfunctional currency denominated investment securities and enter into foreign currency forward contracts with external counterparties to hedge against changes in the fair value of the securities, through maturity, due to changes in the related foreign-currency exchange rate. The foreign-currency forward contracts are recorded at fair value with changes recorded to earnings.

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The changes in value of the securities due to changes in foreign-currency exchange rates are also recorded to earnings. In the case of securities classified as available-for-sale, any changes in fair value due to unhedged risks are recorded to accumulated other comprehensive income.

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

Credit Risk

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

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

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

We placed cash and securities collateral totaling \$1.4 billion and \$1.4 billion at March 31, 2012, and December 31, 2011, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$1.0 billion and \$1.4 billion at March 31, 2012, and December 31, 2011, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At March 31, 2012, we did not receive any noncash collateral. At December 31, 2011, we received noncash collateral of \$43 million.

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Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At March 31, 2012, \$4.2 billion and \$12 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Condensed Consolidated Balance Sheet. At December 31, 2011, \$5.7 billion and \$14 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Condensed Consolidated Balance Sheet. During the normal course of business, our broker-dealer enters into forward purchases and sales, which are classified as trading derivatives. Refer to Note 5 for our trading assets. At March 31, 2012, \$4.2 billion of derivative contracts in a liability position and \$10 million of trading derivatives were both classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. At December 31, 2011, \$5.4 billion of derivative contracts in a liability position and \$12 million of trading derivatives were both classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

(\$ in millions)	March 31, 2012			December 31, 2011		
	Derivative contracts in a receivable position (a)	payable position (b)	Notional amount	Derivative contracts in a receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	\$207	\$15	\$7,585	\$289	\$4	\$8,398
Cash flow accounting hedges	—	8	3,000	4	—	3,000
Total interest rate risk	207	23	10,585	293	4	11,398
Foreign exchange risk						
Net investment accounting hedges	17	112	6,891	123	54	8,208
Total derivatives qualifying for hedge accounting	224	135	17,476	416	58	19,606
Economic hedges and trading derivatives						
Interest rate risk						
MSRs and retained interests	3,554	3,893	417,273	4,812	5,012	523,037
Mortgage loan commitments and mortgage loans held-for-sale	65	12	14,303	95	107	24,950
Debt	85	49	20,475	81	54	25,934
Other	182	100	49,720	160	101	42,142
Total interest rate risk	3,886	4,054	501,771	5,148	5,274	616,063
Foreign exchange risk	77	41	8,077	137	47	7,569
Total economic hedges and trading derivatives	3,963	4,095	509,848	5,285	5,321	623,632
Total derivatives	\$4,187	\$4,230	\$527,324	\$5,701	\$5,379	\$643,238

(a) Includes accrued interest of \$378 million and \$459 million at March 31, 2012, and December 31, 2011, respectively.

(b) Includes accrued interest of \$366 million and \$458 million at March 31, 2012, and December 31, 2011, respectively.

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Statement of Comprehensive Income Presentation

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

(\$ in millions)	Three months ended March 31,	
	2012	2011
Derivatives qualifying for hedge accounting		
Loss recognized in earnings on derivatives (a)		
Interest rate contracts		
Interest on long-term debt	\$(71	) \$(148
Gain recognized in earnings on hedged items (b)		
Interest rate contracts		
Interest on long-term debt	52	145
Total derivatives qualifying for hedge accounting	(19	) (3
Economic and trading derivatives		
(Loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Interest on long-term debt	(2) —
Servicing asset valuation and hedge activities, net	8	(204
Loss on mortgage and automotive loans, net	(57	) (39
Other income, net of losses	16	7
Other operating expenses	—	4
Total interest rate contracts	(35	) (232
Foreign exchange contracts (c)		
Interest on long-term debt	(11	) 13
Other income, net of losses	(25	) (104
Other operating expenses	6	—
Total foreign exchange contracts	(30	) (91
Loss recognized in earnings on derivatives	\$(84	) \$(326

Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by (a) the fixed coupon payment on the long-term debt. The gains were \$29 million and \$88 million for the three months ended March 31, 2012 and 2011, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$63 million for both the three months ended March 31, 2012 and 2011.

Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. (c) Gains of \$29 million and \$90 million were recognized for the three months ended March 31, 2012 and 2011, respectively.

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

(\$ in millions)	Three months ended March 31,	
	2012	2011
Cash flow hedges		
Interest rate contracts		
Loss recorded directly to interest on long-term debt	\$(5) \$—
Loss recognized in other comprehensive income	(3) —
Net investment hedges		

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Foreign exchange contracts

Loss recorded directly to other income, net of losses (a)	\$—	\$ (3)
Loss recognized in other comprehensive income (b)	(203	) (148)

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

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were offsetting gains of \$300 million and \$145 million for three months ended March 31, 2012 and 2011, respectively.

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20. Income Taxes

For the three months ended March 31, 2012, the income tax expense of \$64 million resulted primarily from tax expense attributable to profitable foreign entities. The effective tax rate is lower than the blended worldwide statutory tax rate primarily because the tax effects of income earned in the United States and certain foreign jurisdictions have been offset by loss carryforwards for which a tax benefit has not previously been recognized.

For the three months ended March 31, 2011, the income tax benefit of \$70 million resulted primarily from the \$101 million reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries offset partially by tax expense attributable to profitable foreign entities. The valuation allowance reversal related to modifications to the structure of our Canadian operations.

A sustained period of profitability in our U.S. operations is required before we would change our judgment regarding the need for a full valuation allowance against our net U.S. deferred tax assets. Continued improvement in our U.S. operating results throughout 2012 could lead to the reversal of a portion of our U.S. valuation allowance.

21. Fair Value

Fair Value Measurements

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

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

Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 1 Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities;

Level 2 quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Unobservable inputs are supported by little or no market activity. The unobservable inputs represent

Level 3 management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfers occurred. There were no transfers between any levels during the three months ended March 31, 2012.

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

▣ Trading assets (excluding derivatives) — Trading assets are recorded at fair value. Our portfolio includes MBS (including senior and subordinated interests) and may be investment-grade, noninvestment grade, or unrated securities. Valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available.

To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

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

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

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held-for-sale. The methodology used depends on the exit market as described below.

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

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

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

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

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

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

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

Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of

these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

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

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

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

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Recurring Fair Value

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

March 31, 2012 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets (excluding derivatives)				
Mortgage-backed residential securities	\$—	\$851	\$32	\$883
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	669	775	—	1,444
States and political subdivisions	—	1	—	1
Foreign government	506	358	—	864
Mortgage-backed residential	—	6,819	—	6,819
Asset-backed	—	2,644	63	2,707
Corporate debt securities	—	1,551	—	1,551
Other debt securities	—	582	—	582
Total debt securities	1,175	12,730	63	13,968
Equity securities (a)	974	—	—	974
Total available-for-sale securities	2,149	12,730	63	14,942
Mortgage loans held-for-sale, net (b)	—	1,793	30	1,823
Consumer mortgage finance receivables and loans, net (b)	—	—	832	832
Mortgage servicing rights	—	—	2,595	2,595
Other assets				
Interests retained in financial asset sales	—	—	194	194
Derivative contracts in a receivable position (c)				
Interest rate	37	3,997	59	4,093
Foreign currency	—	87	7	94
Total derivative contracts in a receivable position	37	4,084	66	4,187
Collateral placed with counterparties (d)	291	—	—	291
Total assets	\$2,477	\$19,458	\$3,812	\$25,747
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$—	\$—	\$(828)	\$(828)
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	(36)	(4,026)	(15)	(4,077)
Foreign currency	—	(151)	(2)	(153)
Total derivative contracts in a payable position	(36)	(4,177)	(17)	(4,230)
Loan repurchase liabilities (b)	—	—	(30)	(30)
Trading liabilities (excluding derivatives)	(4)	—	—	(4)
Total liabilities	\$(40)	\$(4,177)	\$(875)	\$(5,092)

(a) Our investment in any one industry did not exceed 19%.

- (b) Carried at fair value due to fair value option elections.
- (c) Includes derivatives classified as trading.
- (d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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December 31, 2011 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets (excluding derivatives)				
Mortgage-backed residential securities	\$—	\$575	\$33	\$608
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	903	643	—	1,546
States and political subdivisions	—	1	—	1
Foreign government	427	357	—	784
Mortgage-backed residential	—	7,312	—	7,312
Asset-backed	—	2,553	62	2,615
Corporate debt securities	—	1,491	—	1,491
Other debt securities	—	327	—	327
Total debt securities	1,330	12,684	62	14,076
Equity securities (a)	1,059	—	—	1,059
Total available-for-sale securities	2,389	12,684	62	15,135
Mortgage loans held-for-sale, net (b)	—	3,889	30	3,919
Consumer mortgage finance receivables and loans, net (b)	—	—	835	835
Mortgage servicing rights	—	—	2,519	2,519
Other assets				
Interests retained in financial asset sales	—	—	231	231
Derivative contracts in a receivable position (c)				
Interest rate	79	5,274	88	5,441
Foreign currency	—	242	18	260
Total derivative contracts in a receivable position	79	5,516	106	5,701
Collateral placed with counterparties (d)	328	—	—	328
Total assets	\$2,796	\$22,664	\$3,816	\$29,276
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$—	\$—	\$(830)	\$(830)
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	(32)	(5,229)	(17)	(5,278)
Foreign currency	—	(99)	(2)	(101)
Total derivative contracts in a payable position	(32)	(5,328)	(19)	(5,379)
Loan repurchase liabilities (b)	—	—	(29)	(29)
Trading liabilities (excluding derivatives)	(61)	—	—	(61)
Total liabilities	\$(93)	\$(5,328)	\$(878)	\$(6,299)

(a) Our investment in any one industry did not exceed 18%.

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

(c) Includes derivatives classified as trading.

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

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The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

March 31, 2012 (\$ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Consumer mortgage finance receivables and loans, net (a)	\$ 832	Discounted cash flow	Prepayment rate	2.5-12.9%
			Default rate	1.1-34.8%
			Loss severity	40.0-100.0%
Mortgage servicing rights	2,595	(b)	(b)	(b)
Other assets				
Interests retained in financial asset sales	194	Discounted cash flow	Discount rate	5.2-6.1%
			Commercial paper rate	0-0.2%
Liabilities				
Long-term debt				
On-balance sheet securitization debt (a)	\$ (828) (a)		(a)	(a)

(a) A portfolio approach links the value of the consumer mortgage finance receivables and loans, net to the on-balance sheet securitization debt; therefore, the valuation technique, unobservable inputs, and related range for the debt is the same as the loans. Increases in prepayments, which would primarily be driven by any combination of lower projected mortgage rates and higher projected home values, would result in higher fair value measurement. These drivers of higher prepayments (increased ability to refinance due to lower rates and higher property values) have an opposite impact on the default rate, creating an inverse relationship between prepayments and default frequency on the fair value measurements. Generally factors that contribute to higher default frequency also contribute to higher loss severity.

(b) Refer to Note 11 for information related to MSR valuation assumptions and sensitivities.

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

(\$ in millions)	Level 3 recurring fair value measurements						Fair value at March 31, 2012	Net unrealized gains (losses) included in earnings still held at March 31, 2012
	Fair value at Jan. 1, 2012	included in earnings	Net realized/unrealized gains (losses)	included in other comprehensive income	Purchases	Issuances			Settlements
Assets								
Trading assets (excluding derivatives)								
Mortgage-backed residential securities	\$33	\$2	(a) \$ —	\$ —	\$ —	\$ (3)	\$32	\$ 4 (a)
Investment securities								
Available-for-sale debt securities								
Asset-backed Mortgage loans	62	—	1	—	—	—	63	—
Mortgage loans held-for-sale, net (b)	30	—	—	9	—	(9)	30	—
Consumer mortgage finance receivables and loans, net (b)	835	87	(b) —	—	—	(90)	832	35 (b)
Mortgage servicing rights	2,519	1	(c) —	—	11	64	2,595	1 (c)
Other assets								
Interests retained in financial asset sales	231	5	(d) —	—	—	(42)	194	—
Derivative contracts, net (e)								
Interest rate	71	(24)	(f) —	—	—	(3)	44	(28) (f)
Foreign currency	16	(11)	(f) —	—	—	—	5	(11) (f)
Total derivative contracts in a (payable) receivable position, net	87	(35)	—	—	—	(3)	49	(39)
Total assets	\$3,797	\$60	\$ 1	\$ 9	\$ 11	\$ (83)	\$3,795	\$ 1
Liabilities								
Long-term debt								
On-balance sheet securitization debt (b)	\$(830)	\$(83)	(b) \$ —	\$ —	\$ —	\$ 85	\$(828)	\$(39) (b)
Accrued expenses and other liabilities	(29)	—	—	(9)	—	8	(30)	—

Loan repurchase liabilities

(b)
 Total liabilities \$(859) \$(83) \$ — \$ (9) \$ — \$ 93 \$(858) \$ (39)

- (a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Condensed Consolidated Statement of Comprehensive Income.
 Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
- (e) Includes derivatives classified as trading.
- (f) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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(\$ in millions)	Level 3 recurring fair value measurements							Fair value at March 31, 2011	Net unrealized gains (losses) included in earnings still held at March 31, 2011	
	Fair value at Jan. 1, 2011	included in earnings	included in other comprehensive income	Purchases	Sales	Issuance	Settlements			
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	\$44	\$1	(a) \$ —	\$ —	\$ —	\$ —	\$ (5)	\$40	\$ 2	(a)
Asset-backed securities	94	—	—	—	(94)	—	—	—	—	
Total trading assets	138	1	—	—	(94)	—	(5)	40	2	
Investment securities										
Available-for-sale debt securities										
Mortgage-backed residential	1	—	—	—	—	—	—	1	—	
Asset-backed	—	—	23	94	—	—	—	117	—	
Total debt securities	1	—	23	94	—	—	—	118	—	
Mortgage loans held-for-sale, net (b)	4	—	—	14	—	—	—	18	—	
Consumer mortgage finance receivables and loans, net (b)	1,015	73	(b) 1	—	—	—	(118)	971	16	(b)
Mortgage servicing rights	3,738	116	(c) —	2	(266)	(d) 184	—	3,774	116	(d)
Other assets										
Interests retained in financial asset sales	568	23	(e) —	—	—	—	(22)	569	(6)	(e)
Derivative contracts, net (g)										
Interest rate	(13)	141	(f) —	—	—	—	(17)	111	123	(f)
Foreign currency	—	2	(f) —	—	—	—	—	2	2	(f)
Total derivative contracts in a (payable) receivable position, net	(13)	143	—	—	—	—	(17)	113	125	
Total assets	\$5,451	\$356	\$ 24	\$ 110	\$(360)	\$ 184	\$(162)	\$5,603	\$ 253	
Liabilities										
Long-term debt										
On-balance sheet securitization debt (b)	\$(972)	\$(67)	(b) \$ 1	\$ —	\$ —	\$ —	\$ 116	\$(922)	\$ 5	(b)

Accrued expenses and other liabilities

Loan repurchase liabilities	—	—	—	(14)	—	—	—	(14)	—
(b) Total liabilities	\$ (972)	\$ (67)	\$ 1	\$ (14)	\$ —	\$ —	\$ 116	\$ (936)	\$ 5

(a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Condensed Consolidated Statement of Comprehensive Income.

Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair

(b) Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.

(c) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.

(d) Represents excess mortgage servicing rights transferred to an agency-controlled trust in exchange for trading securities. These securities were then sold instantaneously to third-party investors for \$266 million.

(e) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(f) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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Nonrecurring Fair Value

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

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

March 31, 2012 (\$ in millions)	Nonrecurring fair value measures				Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended
	Level 1	Level 2	Level 3				
Assets							
Mortgage loans held-for-sale (a)	\$—	\$—	\$580	\$580	\$(57	)	n/m (b)
Commercial finance receivables and loans, net (c)							
Automotive	—	—	122	122	(25	)	n/m (b)
Mortgage	—	1	15	16	(11	)	n/m (b)
Other	—	—	20	20	(10	)	n/m (b)
Total commercial finance receivables and loans, net	—	1	157	158	(46	)	n/m (b)
Other assets							
Reposessed and foreclosed assets (d)	—	62	21	83	(13	)	n/m (b)
Total assets	\$—	\$63	\$758	\$821	\$(116)	

n/m = not meaningful

Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above (a) includes only loans with fair values below cost during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on (b) earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.

(c) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(d) The allowance provided for reposessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

March 31, 2011 (\$ in millions)	Nonrecurring fair value measures				Total	Lower-of-cost or fair value or valuation reserve allowance	Total gains included in earnings for the three months ended
	Level 1	Level 2	Level 3				
Assets							
Mortgage loans held-for-sale (a)	\$—	\$—	\$597	\$597	\$(50	)	n/m (b)
Commercial finance receivables and loans, net (c)							
Automotive	—	—	416	416	(46)	n/m (b)

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Mortgage	—	13	26	39	(15) n/m (b)
Other	—	—	93	93	(41) n/m (b)
Total commercial finance receivables and loans, net	—	13	535	548	(102) n/m (b)
Other assets						
Real estate and other investments (d)	—	1	—	1	n/m	\$—
Reposessed and foreclosed assets (e)	—	44	37	81	(11	) n/m (b)
Total assets	\$—	\$58	\$1,169	\$1,227	\$(163) \$—

n/m = not meaningful

Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above (a) includes only loans with fair values below cost during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on (b) earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.

(c) Represents the portion of the portfolio specifically impaired during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

Represents model homes impaired during 2011. The total gain included in earnings represents adjustments to the (d) fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated value if the model home is marketed for sale.

(e) The allowance provided for reposessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

March 31, 2012 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range/weighted average
Assets				
Mortgage loans held-for-sale, net	\$580	Discounted cash flow	Prepayment rate	0-13.8%
			Default rate	2.2-17.4%
			Loss severity	47.5-98.5%
			Discount rate	14.6%

Fair Value Option for Financial Assets and Financial Liabilities

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

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

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

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

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

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

Nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options — As of January 1, 2011, we elected the fair value option for both nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options and the related liability. These conditional repurchase options within our

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

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

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

Three months ended March 31, (\$ in millions)	Changes included in the Condensed Consolidated Statement of Comprehensive Income						Change in fair value due to credit risk (c)
	Interest and fees on finance receivables and loans (a)	Interest on loans held-for-sale (a)	Interest on long-term debt (b)	Gain on mortgage loans, net (c)	Other income, net of losses (d)	Total included in earnings (e)	
2012							
Assets							
Mortgage loans held-for-sale, net	\$—	\$ 26	\$—	\$184	\$—	\$ 210	\$(1) (d)
Consumer mortgage finance receivables and loans, net	44	—	—	—	43	87	(27) (e)
Liabilities							
Long-term debt							
On-balance sheet securitization debt	—	—	(26)	—	(57)	(83)	(7) (f)
Total						\$ 214	
2011							
Assets							
Mortgage loans held-for-sale, net	\$—	\$ 41	\$—	\$142	\$—	\$ 183	\$— (d)
Consumer mortgage finance receivables and loans, net	54	—	—	—	19	73	(17) (e)
Liabilities							
Long-term debt							
On-balance sheet securitization debt	—	—	(31)	—	(36)	(67)	27 (f)
Total						\$ 189	

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

(b) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.

(c) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.

(d) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

(e) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.

(f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero, at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the

amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

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

(\$ in millions)	March 31, 2012		December 31, 2011	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$1,781	\$1,823	\$3,766	\$3,919
Nonaccrual loans	58	28	54	27
Loans 90+ days past due (b)	58	28	53	27
Consumer mortgage finance receivables and loans, net				
Total loans	2,386	832	2,436	835
Nonaccrual loans (c)	510	214	506	209
Loans 90+ days past due (b) (c)	384	173	362	163
Liabilities				
Long-term debt				
On-balance sheet securitization debt	\$(2,514)	\$(828)	\$(2,559)	\$(830)
Accrued expenses and other liabilities				
Loan repurchase liabilities	(61)	(30)	(57)	(29)

(a) Excludes accrued interest receivable.

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

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

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Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled Recurring Fair Value. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at March 31, 2012, and December 31, 2011.

(\$ in millions)	March 31, 2012				December 31, 2011		
	Carrying value	Estimated fair value			Carrying value	Estimated fair value	
		Level 1	Level 2	Level 3	Total		
Financial assets							
Loans held-for-sale, net (a)	\$6,670	\$—	\$1,793	\$5,035	\$6,828	\$8,557	\$8,674
Finance receivables and loans, net (a)	118,272	—	2	118,960	118,962	113,252	113,576
Nonmarketable equity investments	394	—	365	31	396	419	423
Financial liabilities							
Deposit liabilities	\$47,206	\$—	\$3,522	\$44,313	\$47,835	\$45,050	\$45,696
Short-term borrowings	7,203	6	—	7,173	7,179	7,680	7,622
Long-term debt (a)(b)	94,648	—	44,117	51,073	95,190	93,434	92,142

Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section (a) of this note titled Fair Value Option for Financial Assets and Liabilities for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of \$658 million and \$640 million at March 31, 2012, and December 31, 2011, respectively.

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

Loans held-for-sale, net — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Finance receivables and loans, net — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either

because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach with Level 3 inputs to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled Loans held-for-sale, net, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

Deposit liabilities — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. Deposits classified as Level 2 was valued using quoted market prices from active markets for similar instruments. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the

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forward interest rate swap curve.

- Debt — Level 2 debt was valued using quoted market prices in inactive markets. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

22. Segment and Geographic Information

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

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

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

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

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

Mortgage — Origination and Servicing operations — The principal activities include originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States; 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.

Mortgage — Legacy Portfolio and Other operations — Primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, our mortgage reinsurance business, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; and purchasing, selling, and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans originated subsequent to January 1, 2009, which are included in our Origination and Servicing operations) in both the United States and internationally.

Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

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

Change in Reportable Segment Information

Beginning in the fourth quarter of 2011, we began presenting our Canadian mortgage operations of ResMor Trust with Legacy Portfolio and Other operations. Previously these operations were included with Originations and Servicing operations. The change was made because the mortgage operations of ResMor Trust were classified as discontinued and held-for-sale.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Three months ended March 31, (\$ in millions)	Global Automotive Services			Mortgage (a)		Corporate and Other (c)	Consolidated (d)
	North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Origination and Servicing operations	Legacy Portfolio and Other operations		
2012							
Net financing revenue (loss)	\$775	\$164	\$20	\$7	\$50	\$(347)	\$ 669
Other revenue	79	66	448	547	—	47	1,187
Total net revenue (loss)	854	230	468	554	50	(300)	1,856
Provision for loan losses	78	47	—	1	26	(12)	140
Total noninterest expense	334	138	344	336	50	148	1,350
Income (loss) from continuing operations before income tax expense	\$442	\$45	\$124	\$217	\$(26)	\$(436)	\$ 366
Total assets	\$102,894	\$16,054	\$8,394	\$19,556	\$10,523	\$28,929	\$ 186,350
2011							
Net financing revenue (loss)	\$818	\$166	\$22	\$(17)	\$77	\$(522)	\$ 544
Other revenue	109	58	463	340	13	25	1,008
Total net revenue (loss)	927	224	485	323	90	(497)	1,552
Provision for loan losses	46	37	—	2	45	(17)	113
Total noninterest expense	363	156	354	236	87	144	1,340
Income (loss) from continuing operations before income tax expense	\$518	\$31	\$131	\$85	\$(42)	\$(624)	\$ 99
Total assets	\$87,662	\$16,295	\$9,024	\$18,714	\$12,259	\$29,750	\$ 173,704

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

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

(c) Total assets for the Commercial Finance Group were \$1.2 billion and \$1.4 billion at March 31, 2012 and 2011, respectively.

(d) Net financing revenue (loss) after the provision for loan losses totaled \$529 million and \$431 million for the three months ended March 31, 2012 and 2011, respectively.

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Information concerning principal geographic areas was as follows.

Three months ended March 31, (\$ in millions)	Revenue (a)(b)	Income (loss) from continuing operations before income tax expense (a)(c)	Net income (loss) (a)(c)
2012			
Canada	\$ 190	\$ 114	\$ 85
Europe (d)	88	31	22
Latin America	247	51	43
Asia-Pacific	28	27	27
Total foreign	553	223	177
Total domestic (e)	1,303	143	133
Total	\$ 1,856	\$ 366	\$ 310
2011			
Canada	\$ 190	\$ 85	\$ 176
Europe (d)	111	51	50
Latin America	237	73	32
Asia-Pacific	21	21	20
Total foreign	559	230	278
Total domestic (e)	993	(131)	(132)
	\$ 1,552	\$ 99	\$ 146

(a) The 2011 balances for Asia-Pacific and domestic were reclassified to conform with the 2012 presentation. These reclassifications have no impact to our condensed consolidated results of operations.

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

(c) The domestic amounts include original discount amortization of \$111 million and \$299 million for the three months ended March 31, 2012 and 2011 respectively.

(d) Amounts include eliminations between our foreign operations.

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

23. Parent and Guarantor Consolidating Financial Statements

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

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

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Income

Three months ended March 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating Adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$253	\$8	\$1,421	\$(4	) \$1,678
Interest and fees on finance receivables and loans — intercompany	41	5	8	(54) —
Interest on loans held-for-sale	5	—	68	—	73
Interest on trading securities	—	—	11	—	11
Interest and dividends on available-for-sale investment securities	—	—	84	—	84
Interest-bearing cash	1	—	13	—	14
Operating leases	52	—	488	—	540
Total financing revenue and other interest income	352	13	2,093	(58	) 2,400
Interest expense					
Interest on deposits	17	—	169	—	186
Interest on short-term borrowings	16	1	58	—	75
Interest on long-term debt	726	2	449	—	1,177
Interest on intercompany debt	(1	) 7	52	(58) —
Total interest expense	758	10	728	(58	) 1,438
Depreciation expense on operating lease assets	13	—	280	—	293
Net financing (loss) revenue	(419	) 3	1,085	—	669
Dividends from subsidiaries					
Nonbank subsidiaries	141	5	—	(146) —
Other revenue					
Servicing fees	52	—	258	—	310
Servicing asset valuation and hedge activities, net	—	—	9	—	9
Total servicing income, net	52	—	267	—	319
Insurance premiums and service revenue earned	—	—	375	—	375
(Loss) gain on mortgage and automotive loans, net	(1	) —	127	—	126
Other gain on investments, net	—	—	90	—	90
Other income, net of losses	59	145	387	(314	) 277
Total other revenue	110	145	1,246	(314	) 1,187
Total net (loss) revenue	(168	) 153	2,331	(460	) 1,856
Provision for loan losses	75	2	63	—	140
Noninterest expense					
Compensation and benefits expense	216	147	256	(144	) 475
Insurance losses and loss adjustment expenses	—	—	159	—	159
Other operating expenses	93	1	792	(170) 716
Total noninterest expense	309	148	1,207	(314) 1,350

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(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(552) 3	1,061	(146) 366
Income tax (benefit) expense from continuing operations	(254	) —	318	—	64
Net (loss) income from continuing operations	(298	) 3	743	(146	) 302
Income from discontinued operations, net of tax	7	—	1	—	8
Undistributed income of subsidiaries					
Bank subsidiary	223	223	—	(446) —
Nonbank subsidiaries	378	85	—	(463) —
Net income	\$310	\$311	\$ 744	\$(1,055) \$310

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating Adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$252	\$7	\$1,362	\$—	\$1,621
Interest and fees on finance receivables and loans — intercompany	91	5	7	(103)	—
Interest on loans held-for-sale	—	—	84	—	84
Interest on trading securities	—	—	3	—	3
Interest and dividends on available-for-sale investment securities	3	—	100	—	103
Interest and dividends on available-for-sale investment securities — intercompany	—	—	2	(2)	—
Interest-bearing cash	3	—	9	—	12
Operating leases	308	—	347	—	655
Total financing revenue and other interest income	657	12	1,914	(105)	2,478
Interest expense					
Interest on deposits	15	—	151	—	166
Interest on short-term borrowings	13	—	79	—	92
Interest on long-term debt	988	2	416	—	1,406
Interest on intercompany debt	(4)	) 7	102	(105)	—
Total interest expense	1,012	9	748	(105)	1,664
Depreciation expense on operating lease assets	131	—	139	—	270
Net financing (loss) revenue	(486)	) 3	1,027	—	544
Dividends from subsidiaries					
Nonbank subsidiaries	501	—	—	(501)	—
Other revenue					
Servicing fees	80	—	277	—	357
Servicing asset valuation and hedge activities, net	—	—	(87)	) —	(87)
Total servicing income, net	80	—	190	—	270
Insurance premiums and service revenue earned	—	—	399	—	399
Gain on mortgage and automotive loans, net	—	—	90	—	90
Loss on extinguishment of debt	(39)	) —	—	—	(39)
Other gain on investments, net	9	—	75	—	84
Other income, net of losses	15	—	337	(148)	) 204
Total other revenue	65	—	1,091	(148)	) 1,008
Total net revenue	80	3	2,118	(649)	) 1,552
Provision for loan losses	83	(1)	) 31	—	113
Noninterest expense					
Compensation and benefits expense	198	2	224	—	424
Insurance losses and loss adjustment expenses	—	—	170	—	170
Other operating expenses	118	1	775	(148)) 746
Total noninterest expense	316	3	1,169	(148)) 1,340

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(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(319) 1	918	(501) 99
Income tax (benefit) expense from continuing operations	(133	) —	63	—	(70)
Net (loss) income from continuing operations	(186	) 1	855	(501	) 169
Loss from discontinued operations, net of tax	(5	) —	(18	) —	(23)
Undistributed income of subsidiaries					
Bank subsidiary	251	251	—	(502) —
Nonbank subsidiaries	86	197	—	(283) —
Net income	\$146	\$449	\$ 837	\$ (1,286) \$146

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Balance Sheet

March 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,087	\$—	\$ 1,192	\$—	\$ 2,279
Interest-bearing	3,901	32	6,867	—	10,800
Interest-bearing — intercompany	—	—	930	(930)	—
Total cash and cash equivalents	4,988	32	8,989	(930)	13,079
Trading assets	—	—	895	—	895
Investment securities	—	—	14,942	—	14,942
Loans held-for-sale, net	623	—	6,047	—	6,670
Finance receivables and loans, net					
Finance receivables and loans, net	19,585	450	99,783	—	119,818
Intercompany loans to					
Bank subsidiary	2,950	—	—	(2,950)	—
Nonbank subsidiaries	5,521	366	518	(6,405)	—
Allowance for loan losses	(304)	(4)	(1,238)	—	(1,546)
Total finance receivables and loans, net	27,752	812	99,063	(9,355)	118,272
Investment in operating leases, net	512	—	9,536	—	10,048
Intercompany receivables from					
Bank subsidiary	206	—	—	(206)	—
Nonbank subsidiaries	491	556	154	(1,201)	—
Investment in subsidiaries					
Bank subsidiary	13,336	13,336	—	(26,672)	—
Nonbank subsidiaries	17,281	4,017	—	(21,298)	—
Mortgage servicing rights	—	—	2,595	—	2,595
Premiums receivable and other insurance assets	—	—	1,876	—	1,876
Other assets	2,414	3	15,016	(468)	16,965
Assets of operations held-for-sale	(34)	—	1,042	—	1,008
Total assets	\$ 67,569	\$ 18,756	\$ 160,155	\$ (60,130)	\$ 186,350
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$—	\$—	\$ 2,314	\$—	\$ 2,314
Interest-bearing	1,861	—	43,031	—	44,892
Total deposit liabilities	1,861	—	45,345	—	47,206
Short-term borrowings	2,987	139	4,077	—	7,203
Long-term debt	39,820	219	53,951	—	93,990
Intercompany debt to					
Nonbank subsidiaries	965	484	8,836	(10,285)	—
Intercompany payables to					
Bank subsidiary	213	—	—	(213)	—
Nonbank subsidiaries	627	272	294	(1,193)	—
Interest payable	1,126	4	545	—	1,675
	—	—	2,632	—	2,632

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Unearned insurance premiums and service revenue					
Reserves for insurance losses and loss adjustment expenses	—	—	565	—	565
Accrued expenses and other liabilities	303	289	12,965	(468	) 13,089
Liabilities of operations held-for-sale	—	—	323	—	323
Total liabilities	47,902	1,407	129,533	(12,159	) 166,683
Total equity	19,667	17,349	30,622	(47,971) 19,667
Total liabilities and equity	\$67,569	\$18,756	\$160,155	\$(60,130) \$186,350

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$1,413	\$—	\$1,062	\$—	\$2,475
Interest-bearing	4,848	14	5,698	—	10,560
Interest-bearing — intercompany	—	—	516	(516)	—
Total cash and cash equivalents	6,261	14	7,276	(516)	13,035
Trading assets	—	—	622	—	622
Investment securities	—	—	15,135	—	15,135
Loans held-for-sale, net	425	—	8,132	—	8,557
Finance receivables and loans, net					
Finance receivables and loans, net	15,151	476	99,128	—	114,755
Intercompany loans to					
Bank subsidiary	4,920	—	—	(4,920)	—
Nonbank subsidiaries	5,448	356	550	(6,354)	—
Allowance for loan losses	(245)	(2)	(1,256)	—	(1,503)
Total finance receivables and loans, net	25,274	830	98,422	(11,274)	113,252
Investment in operating leases, net	928	—	8,347	—	9,275
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	1,070	327	577	(1,974)	—
Investment in subsidiaries					
Bank subsidiary	13,061	13,061	—	(26,122)	—
Nonbank subsidiaries	17,433	3,809	—	(21,242)	—
Mortgage servicing rights	—	—	2,519	—	2,519
Premiums receivable and other insurance assets	—	—	1,853	—	1,853
Other assets	2,664	3	16,712	(638)	18,741
Assets of operations held-for-sale	(174)	—	1,244	—	1,070
Total assets	\$67,024	\$18,044	\$160,839	\$(61,848)	\$184,059
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$—	\$—	\$2,029	\$—	\$2,029
Interest-bearing	1,768	—	41,253	—	43,021
Total deposit liabilities	1,768	—	43,282	—	45,050
Short-term borrowings	2,756	136	4,788	—	7,680
Long-term debt	39,524	214	53,056	—	92,794
Intercompany debt to					
Nonbank subsidiaries	574	492	10,724	(11,790)	—
Intercompany payables to					
Bank subsidiary	39	—	—	(39)	—
Nonbank subsidiaries	1,266	1	750	(2,017)	—
Interest payable	1,167	3	417	—	1,587
Unearned insurance premiums and service revenue	—	—	2,576	—	2,576

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Reserves for insurance losses and loss adjustment expenses	—	—	580	—	580
Accrued expenses and other liabilities	559	323	13,839	(637) 14,084
Liabilities of operations held-for-sale	—	—	337	—	337
Total liabilities	47,653	1,169	130,349	(14,483	) 164,688
Total equity	19,371	16,875	30,490	(47,365) 19,371
Total liabilities and equity	\$67,024	\$18,044	\$160,839	\$(61,848) \$184,059

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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Cash Flows

Three months ended March 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	\$(412	) \$12	\$2,688	\$(146	) \$2,142
Investing activities					
Purchases of available-for-sale securities	—	—	(3,172	) —	(3,172
Proceeds from sales of available-for-sale securities	—	—	2,940	—	2,940
Proceeds from maturities of available-for-sale securities	—	—	1,222	—	1,222
Net (increase) decrease in finance receivables and loans	(3,691	) 26	(744	) —	(4,409
Net decrease (increase) in loans — intercompany	1,649	(9	) 32	(1,672) —
Net decrease (increase) in operating lease assets	216	—	(1,219	) —	(1,003
Capital contributions to subsidiaries	(44	) —	—	44	—
Returns of contributed capital	366	—	—	(366) —
Proceeds from sale of business units, net	29	—	—	—	29
Other, net	(48	) —	371	—	323
Net cash (used in) provided by investing activities	(1,523	) 17	(570	) (1,994	) (4,070
Financing activities					
Net change in short-term borrowings — third party	231	3	(780	) —	(546
Net increase in bank deposits	—	—	1,737	—	1,737
Proceeds from issuance of long-term debt — third party	859	5	9,885	—	10,749
Repayments of long-term debt — third party	(574	) —	(9,450	) —	(10,024
Net change in debt — intercompany	390	(8	) (1,640	) 1,258	—
Dividends paid — third party	(200	) —	—	—	(200
Dividends paid and returns of contributed capital — intercompany	—	(11	) (501	) 512	—
Capital contributions from parent	—	—	44	(44) —
Other, net	92	—	260	—	352
Net cash provided by (used in) financing activities	798	(11	) (445	) 1,726	2,068
Effect of exchange-rate changes on cash and cash equivalents	(136	) —	(5	) —	(141
Net (decrease) increase in cash and cash equivalents	(1,273	) 18	1,668	(414	) (1
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	45	—	45
	6,261	14	7,276	(516	) 13,035

Cash and cash equivalents at beginning of
year

Cash and cash equivalents at March 31	\$4,988	\$32	\$ 8,989	\$(930) \$13,079
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Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by (used in) operating activities	\$7,381	\$5	\$(3,843)	\$(501)	\$3,042
Investing activities					
Purchases of available-for-sale securities	—	—	(5,529)	—	(5,529)
Proceeds from sales of available-for-sale securities	1,494	—	2,981	—	4,475
Proceeds from maturities of available-for-sale securities	1	—	1,102	—	1,103
Net (increase) decrease in finance receivables and loans	(7,669)	35	3,385	—	(4,249)
Net decrease (increase) in loans — intercompany	1,578	(22)	2	(1,558)	—
Net (increase) decrease in operating lease assets	(1,293)	—	1,242	—	(51)
Capital contributions to subsidiaries	(50)	(50)	—	100	—
Proceeds from sale of business units, net	—	—	46	—	46
Other, net	(229)	2	818	—	591
Net cash (used in) provided by investing activities	(6,168)	(35)	4,047	(1,458)	(3,614)
Financing activities					
Net change in short-term borrowings — third party	312	(39)	(186)	—	87
Net increase in bank deposits	—	—	1,670	—	1,670
Proceeds from issuance of long-term debt — third party	2,088	28	11,688	—	13,804
Repayments of long-term debt — third party	(2,131)	(7)	(11,073)	—	(13,211)
Net change in debt — intercompany	(110)	(2)	(1,556)	1,668	—
Dividends paid — third party	(228)	—	—	—	(228)
Dividends paid and returns of contributed capital — intercompany	—	—	(501)	501	—
Capital contributions from parent	—	50	50	(100)	—
Other, net	131	—	(48)	—	83
Net cash provided by financing activities	62	30	44	2,069	2,205
Effect of exchange-rate changes on cash and cash equivalents	—	—	(266)	—	(266)
Net increase (decrease) in cash and cash equivalents	1,275	—	(18)	110	1,367
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(91)	—	(91)
Cash and cash equivalents at beginning of year	4,665	2	7,507	(504)	11,670
Cash and cash equivalents at March 31	\$5,940	\$2	\$7,398	\$(394)	\$12,946

24. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 31 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

Mortgage Foreclosure Matters

Settlements with Federal Government and State Attorneys General Agreement

On February 9, 2012, we reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (Settlement). On March 12, 2012, the Settlement was filed as a consent judgment in the U.S. District Court for the District of Columbia.

The Settlement requires a payment by Residential Capital, LLC, one of our mortgage subsidiaries, of approximately \$110 million to a trustee, who will then distribute these funds to federal and state governments. This payment was made on March 14, 2012. In addition, we are obligated to provide \$200 million towards borrower relief, subject to possible upward adjustment as described below. This obligation for borrower relief will include loan modifications, including principal reduction and rate reduction refinancing programs for borrowers that meet certain requirements, and participation in certain other programs. Generally, if certain basic criteria are met, borrowers that are either delinquent or at imminent risk of default and owe more on their mortgages than their homes are worth could be eligible for principal reductions, and borrowers that are current on their mortgages but who owe more on their mortgage than their homes are worth could be eligible for refinancing opportunities. Further, we have agreed to solicit all borrowers that are eligible for rate and principal modifications as of March 1, 2012. We are committed to providing loan modifications to all eligible borrowers who accept a modification offer within three months of the solicitation. We have also agreed to provide loan modifications to borrowers who accept a modification offer within six months

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of the solicitation, unless and until total borrower relief provided exceeds \$250 million. As of March 31, 2012, no loan modifications have been completed. However, we are currently in the process of soliciting eligible borrowers and expect modifications to begin in the second quarter of 2012.

The Settlement provides incentives for borrower relief that is provided within the first twelve months, and all obligations must be met within three years from the date the consent judgment was filed. In addition to the foregoing, we are required to implement new servicing standards relating to matters such as foreclosure and bankruptcy information and documentation, oversight, loss mitigation, limitations on fees, and related procedural matters. Certain mortgage companies (Mortgage Companies) expect to implement the new servicing standards by the October 5, 2012 deadline. Compliance with these obligations are overseen by an independent monitor, who has authority to impose additional penalties and fines if we fail to meet established timelines or fail to implement required servicing standards. The Settlement generally resolves potential claims arising out of origination and servicing activities and foreclosure matters, subject to certain exceptions. The Settlement does not prevent state and federal authorities from pursuing criminal enforcement actions, securities-related claims (including actions related to securitization activities and Mortgage Electronic Registration Systems, or MERS), loan origination claims, certain claims brought by the FDIC and the GSEs, and certain other matters. The Settlement also does not prevent claims that may be brought by individual borrowers.

Federal Reserve Board Civil Money Penalty

On February 9, 2012, we agreed with the Federal Reserve Board on a civil money penalty (CMP) of \$207 million related to the same activities that were the subject of the Settlement. This amount will be reduced dollar-for-dollar in connection with certain aspects of our satisfaction of the required monetary payment and borrower relief obligations included within the Settlement, as well as our participation in other similar programs approved by the Federal Reserve Board. While additional future cash payments related to the CMP are possible if we are unable to satisfy the borrower relief requirements of the Settlement within two years, we currently expect that the full amount of the CMP will be satisfied through our commitments included within the Settlement.

Other Mortgage Foreclosure Matters

Commonwealth of Massachusetts

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. For further details, refer to Legal Proceedings below.

Consent Order

As a result of an examination conducted by the FRB and FDIC, on April 13, 2011, each of Ally Financial Inc., Ally Bank, Residential Capital, LLC and GMAC Mortgage, LLC (collectively, the Ally Entities) entered into a Consent Order (the Consent Order) with the FRB and the FDIC. The Consent Order requires the Ally Entities to make improvements to various aspects of Ally's 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.

The Consent Order further requires GMAC Mortgage, LLC 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. We cannot reasonably estimate the ultimate impact of any deficiencies that have been or may be identified in our historical foreclosure procedures. 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); additional 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.

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Loan Repurchases and Obligations Related to Loan Sales

Overview

Mortgage Companies within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically 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, the 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. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. 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. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010.

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty

will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

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The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

(\$ in millions)	March 31, 2012		December 31, 2011 (a)	
	Number of loans	Original UPB of loans	Number of loans	Original UPB of loans
GSEs	457	\$89	357	\$71
Insured PLS (monolines)				
MBIA	7,314	491	7,314	490
FGIC	4,826	382	4,608	369
Other	937	70	730	58
Uninsured PLS	294	78	38	7
Whole-loan/other	561	85	475	74
Total number of loans and unpaid principal balance	14,389	\$1,195	13,522	\$1,069

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at March 31, 2012 relates primarily to non-GSE exposure.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended March 31, (\$ in millions)	2012	2011
Balance at January 1,	\$825	\$830
Provision for mortgage representation and warranty expenses		
Loan sales	5	6
Change in estimate — continuing operations	19	26
Total additions	24	32
Resolved claims (a)	(42)	(34)

Recoveries	4	2
Balance at March 31,	\$811	\$830

(a) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold \$250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to \$128 million of original unpaid principal balance of which \$93 million are

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associated with the 2004 through 2008 vintages. The remaining \$35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012, the applicable Mortgage Companies resolved claims with respect to \$110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to \$60 million of original unpaid principal balance, and rescinded claims related to \$50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label MBS in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was \$10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was \$5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was \$2 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) "non-loan-level" representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and 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. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac's private-label securities investments. Refer to the Legal Proceedings described below for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in

certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was \$24.4 billion. For the three months ended March 31, 2012, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was \$14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was \$10 million. These other specified categories include, among others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the

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GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured PLS (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold \$42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012, the Mortgage Companies received repurchase claims related to \$28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to \$2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely.

Uninsured PLS

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold \$182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to

\$70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received \$22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to \$10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance,

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they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately \$173 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. The following information supplements the disclosures in Note 31 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

FGIC Litigation

The Financial Guaranty Insurance Company (FGIC) filed three complaints on November 29, 2011, against several of Ally's mortgage subsidiaries in New York County Supreme Court. In two of these cases, both entitled Financial Guaranty Insurance Company v. Residential Funding Company LLC (RFC), et al., FGIC alleges that defendants RFC and ResCap breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that the defendants breached their contractual obligations to permit access to loan files and certain books and records.

In the third case, entitled Financial Guaranty Insurance Company v. GMAC Mortgage LLC (GMAC Mortgage), et al., FGIC makes similar contract allegations against GMAC Mortgage and ResCap, as well as a claim against GMAC Mortgage for fraudulent inducement. In addition, FGIC alleges aiding and abetting fraudulent inducement against Ally Bank, which originated a large portion of the loans in the disputed pool, and breach of the custodial agreement for failing to notify FGIC of the claimed breaches of representations and warranties. In each of these cases, FGIC seeks, among other relief, reimbursement of all sums it paid under the various policies and an award of legal, rescissory, equitable, and punitive damages.

On December 15, 2011, FGIC filed a fourth complaint in New York County Supreme Court related to insurance policies issued in connection with an RFC-sponsored transaction. This complaint, entitled Financial Guaranty Insurance Company v. Ally, et al., names Ally, RFC, and ResCap, and seeks various forms of declaratory and monetary relief. The complaint alleges that the defendants are alter egos of one another, fraudulently induced FGIC's agreement to provide insurance by misrepresenting the nature of RFC's business practices and the credit quality and characteristics of the underlying loans, and have now materially breached their agreement with FGIC by refusing its requests for information and documents.

On December 27, 2011, FGIC filed three additional complaints in New York County Supreme Court against Ally, RFC, and ResCap. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same.

Since January 1, 2012, FGIC has filed five new complaints in federal court naming some combination of Ally, ResCap, Ally Bank, RFC, and GMAC Mortgage. The five complaints were filed on January 31, 2012, March 5, 2012, March 6, 2012, March 12, 2012 and March 13, 2012, respectively. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and

indemnity agreements and breached their contractual obligations under same. In addition, FGIC amended its first-filed complaint to name Ally Financial as a defendant.

All of the FGIC cases are now venued in the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each such case.

Mitchell Litigation

In this statewide class action, plaintiffs alleged that Mortgage Capital Resources, Inc. (MCR) violated the Missouri Second Mortgage Loan Act by charging Missouri borrowers fees and interest not permitted by the Act. RFC and Homecomings Financial LLC (HFN), among others, were named as defendants in their role as assignees of certain of the MCR loans. Following a trial concluded in January 2008, the jury returned verdicts against all defendants, including an award against RFC and HFN for \$4 million in compensatory damages (plus pre- and post-judgment interest and attorneys' fees) and against RFC for \$92 million in punitive damages. In a November 2010 decision, the Missouri Court of Appeals affirmed the compensatory damages but ordered a new trial on punitive damages. Upon remand, we paid \$12.8 million in compensatory damages (including interest and attorneys' fees). At the end of February 2012, RFC entered into an agreement in principle to settle all of plaintiffs' remaining claims, including plaintiffs' already-awarded attorneys' fees on appeal, for a total of \$17.3 million. The agreement was preliminarily approved on April 16, 2012. The hearing on final approval is scheduled for May 18, 2012.

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Potential Losses - Litigation, Repurchase Obligations, and Related Claims

Litigation

As described under Legal Proceedings above, Ally and certain of its subsidiaries have been named as defendants in several cases relating to their various roles in MBS offerings.

Private-label Securitizations — Other Potential Repurchase Obligations

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. Generally, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time over the life of the loan, subject to applicable statutes of limitations and other similar limitations. Breaches of these representations and warranties have resulted in a requirement that the applicable Mortgage Companies repurchase mortgage loans. As the mortgage industry continues to experience higher repurchase requirements and additional investors 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.

Potential Losses

We currently estimate that ResCap's reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims described above could be between \$0 and \$4 billion over existing accruals. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material. However, as a result of ResCap's current financial position, we believe ResCap's ability to pay for any such losses is very limited. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of reasonably possible losses in connection with a ResCap bankruptcy filing.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the item becomes probable and the costs can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

25. Subsequent Events

Declaration of Quarterly Dividend Payments

On April 4, 2012, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$17.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on May 15, 2012.

Chrysler Exclusivity Agreement

We are currently party to an agreement with Chrysler, pursuant to which Chrysler is obligated to provide us with exclusivity privileges related to certain of its retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of non-renewal, and as a result the agreement will expire on April 30, 2013.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Total financing revenue and other interest income	\$2,400	\$2,478
Interest expense	1,438	1,664
Depreciation expense on operating lease assets	293	270
Net financing revenue	669	544
Total other revenue	1,187	1,008
Total net revenue	1,856	1,552
Provision for loan losses	140	113
Total noninterest expense	1,350	1,340
Income from continuing operations before income tax expense (benefit)	366	99
Income tax expense (benefit) from continuing operations	64	(70)
Net income from continuing operations	302	169
Income (loss) from discontinued operations, net of tax	8	(23)
Net income	\$310	\$146
Basic and diluted earnings per common share:		
Net income (loss) from continuing operations	\$76	\$(2)
Net income (loss)	82	(19)
Non-GAAP financial measures (a):		
Net income	\$310	\$146
Add: Original issue discount amortization expense (b)	108	326
Add: Income tax expense (benefit) from continuing operations	64	(70)
Less: Income (loss) from discontinued operations, net of tax	8	(23)
Core pretax income (a)	\$474	\$425

Core pretax income is not a financial measure defined by accounting principles generally accepted 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 (a) income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income 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 determined in accordance with GAAP.

Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, (b) including accelerated amortization of \$30 million for the three months ended March 31, 2011 that was reported as a loss on extinguishment of debt in the Condensed Consolidated Statement of Comprehensive Income.

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The following table presents selected balance sheet and ratio data.

(\$ in millions)	At and for the three months ended March 31,		
	2012	2011	
Selected period-end balance sheet data:			
Total assets	\$186,350	\$173,704	
Long-term debt	\$93,990	\$88,139	
Preferred stock/interests	\$6,940	\$6,940	
Total equity	\$19,667	\$20,407	
Financial ratios			
Efficiency ratio (a)	72.74	%	86.34 %
Core efficiency ratio (a)	68.74	%	71.35 %
Return on assets			
Net income from continuing operations	0.66	%	0.39 %
Net income	0.68	%	0.34 %
Core pretax income	1.03	%	0.99 %
Return on equity			
Net income from continuing operations	6.24	%	3.36 %
Net income	6.40	%	2.90 %
Core pretax income	9.78	%	8.45 %
Equity to assets	10.56	%	11.72 %
Net interest spread (b)	1.24	%	0.85 %
Net interest spread excluding original issue discount (b)	1.60	%	1.86 %
Net yield on interest-earning assets (c)	1.67	%	1.46 %
Net yield on interest-earning assets excluding original issue discount (c)	1.94	%	2.26 %
Regulatory capital ratios			
Tier 1 capital (to risk-weighted assets) (d)	13.50	%	14.68 %
Total risk-based capital (to risk-weighted assets) (e)	14.53	%	15.97 %
Tier 1 leverage (to adjusted quarterly average assets) (f)	11.65	%	12.78 %
Total equity	\$19,667	\$20,407	
Goodwill and certain other intangibles	(494)	)	(533)
Unrealized gains and other adjustments	(317)	)	(272)
Trust preferred securities	2,542	2,541	
Tier 1 capital (d)	21,398	22,143	
Preferred equity	(6,940)	)	(6,940)
Trust preferred securities	(2,542)	)	(2,541)
Tier 1 common capital (non-GAAP) (g)	\$11,916	\$12,662	
Risk-weighted assets (h)	\$158,460	\$150,814	
Tier 1 common (to risk-weighted assets) (g)	7.52	%	8.40 %

The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio (a) equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense.

(b) 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.

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

(d)

Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock (e) 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.

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

We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities.

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 (g) 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.

(h) 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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Overview

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

Discontinued Operations

During 2011, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, and Mortgage Legacy Portfolio and Other operations, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations were removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

Primary Lines of Business

Our primary lines of business are Global Automotive Services and Mortgage operations. The following table summarizes the operating results excluding discontinued operations of each line of business for the three months ended March 31, 2012 and 2011. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

(\$ in millions)	Three months ended March 31,		Favorable/ (unfavorable) % change
	2012	2011	
Total net revenue (expense)			
Global Automotive Services			
North American Automotive Finance operations	\$854	\$927	(8)
International Automotive Finance operations	230	224	3
Insurance operations	468	485	(4)
Mortgage			
Origination and Servicing operations	554	323	72
Legacy Portfolio and Other operations	50	90	(44)
Corporate and Other	(300)	(497)	40
Total	\$1,856	\$1,552	20
Income (loss) from continuing operations before income tax expense (benefit)			
Global Automotive Services			
North American Automotive Finance operations	\$442	\$518	(15)
International Automotive Finance operations	45	31	45
Insurance operations	124	131	(5)
Mortgage			
Origination and Servicing operations	217	85	155
Legacy Portfolio and Other operations	(26)	(42)	38
Corporate and Other	(436)	(624)	30
Total	\$366	\$99	n/m

n/m = not meaningful

Our Global Automotive Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Global Automotive Services consist of three separate reportable

segments — North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our North American Automotive Finance operations include the automotive activities of Ally Bank and ResMor Trust. Our automotive finance services include acquiring or 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.

Our Insurance operations offer both consumer finance and 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 consumer finance and insurance products, we provide vehicle service contracts, and maintenance coverage. We have significantly streamlined our international presence to focus on strategic operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC).

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On April 25, 2012, Chrysler provided us with notification of nonrenewal for the existing agreement governing the exclusivity privileges related to certain of its retail financing subvention programs (for further discussion on our agreement, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 1, Business - Manufacturer Relationships). As a result of this notification, the agreement will expire on April 30, 2013. The nonrenewal of the existing contract does not preclude the two companies from continuing to work together in the future.

On March 22, 2012, we announced that MG Motor UK selected Ally as the preferred wholesale provider for dealerships in the United Kingdom. This agreement expands on the existing preferred retail financing relationship established in 2011.

Our mortgage business is a leading originator and servicer of residential mortgage loans in the United States. We report our Mortgage operations as two distinct segments: (1) Origination and Servicing operations and (2) Legacy Portfolio and Other operations. These operations are conducted through the mortgage operations of Ally Bank and subsidiaries of the Residential Capital, LLC (ResCap) legal entity.

Our Origination and Servicing operations consist of originating, purchasing, selling, and securitizing conforming and government-insured residential mortgage loans in the United States. 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. We sell the conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac), and we sell government-insured mortgage loans we originate or purchase in securitizations guaranteed by the Government National Mortgage Association (Ginnie Mae). We also selectively originate prime jumbo mortgage loans.

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, 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 the United Kingdom; and purchasing, selling, and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans originated subsequent to January 1, 2009, which are included in our Origination and Servicing operations) in both the United States and internationally.

ResCap did not make a semi-annual interest payment that was due on April 17, 2012, related to \$473 million of unsecured debt principal, which matures in 2013. The interest due was \$20 million. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days. ResCap has significant additional near-term interest and principal payments on its outstanding debt securities and credit facilities. Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering. Refer to Note 1 for further details on ResCap.

Corporate and Other primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to small and medium sized businesses primarily in the United States.

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown.

(\$ in millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	\$2,400	\$2,478	(3)
Interest expense	1,438	1,664	14
Depreciation expense on operating lease assets	293	270	(9)
Net financing revenue	669	544	23
Other revenue			
Net servicing income	319	270	18
Insurance premiums and service revenue earned	375	399	(6)
Gain on mortgage and automotive loans, net	126	90	40
Loss on extinguishment of debt	—	(39)	100
Other gain on investments, net	90	84	7
Other income, net of losses	277	204	36
Total other revenue	1,187	1,008	18
Total net revenue	1,856	1,552	20
Provision for loan losses	140	113	(24)
Noninterest expense			
Compensation and benefits expense	475	424	(12)
Insurance losses and loss adjustment expenses	159	170	6
Other operating expenses	716	746	4
Total noninterest expense	1,350	1,340	(1)
Income from continuing operations before income tax expense (benefit)	366	99	n/m
Income tax expense (benefit) from continuing operations	64	(70)	(191)
Net income from continuing operations	\$302	\$169	79

n/m = not meaningful

We earned net income from continuing operations of \$302 million for the three months ended March 31, 2012, compared to net income from continuing operations of \$169 million for the three months ended March 31, 2011. Net income from continuing operations for the three months ended March 31, 2012, was favorably impacted by a decrease in interest expense related to bond maturities and normal monthly amortization, an increase in consumer automotive financing revenue driven primarily by strong origination volume during 2011, and higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs. The increase was partially offset by higher income tax expense. Total financing revenue and other interest income decreased by 3% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease at our Mortgage Legacy Portfolio and Other operations resulted from a decline in average asset levels due to portfolio runoff and loan sales. Operating lease revenue at our North Automotive Finance operations decreased due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets. These declines were partially offset by an increase in consumer financing revenue at our North American Automotive operations driven primarily by strong loan origination volume during 2011, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales.

Interest expense decreased 14% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower OID amortization expense of \$188 million related to bond maturities and normal monthly amortization.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume. Net servicing income was \$319 million for the three months ended March 31, 2012, compared to \$270 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement.

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Insurance premiums and service revenue earned decreased 6% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 40% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher mortgage loan margins due to change in channel mix.

Loss on extinguishment of debt decreased \$39 million for the three months ended March 31, 2012, compared to the same period in 2011. The activity in 2011 included \$30 million of accelerated amortization of original issue discount related to the extinguishment of certain Ally debt.

Other income, net of losses, increased 36% for the three months ended March 31, 2012, compared to the same period in 2011. The increase for the three months ended March 31, 2012, was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$140 million for the three months ended March 31, 2012, compared to \$113 million for the same period in 2011. The increase in the three months ended March 31, 2012, reflected continued growth in the consumer and commercial automotive portfolios and a lower reserve release from the ongoing runoff of our legacy mortgage portfolio.

Compensation and benefits expense increased 12% for the three months ended March 31, 2012, compared to the same period in 2011. The increase was primarily related to a revaluation adjustment of our share-based compensation awards and an increase in headcount at Mortgage Origination and Servicing operations due to higher consumer-lending production.

Other operating expenses decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower advertising and marketing expenses and lower vehicle remarketing and repossession expense, partially offset by higher professional services expense.

Income tax expense from continuing operations was \$64 million for the three months ended March 31, 2012, compared to an income tax benefit of \$70 million for the same period in 2011. The increase in income tax expense during the three months ended March 31, 2012, compared to the same period in 2011, was due to the 2011 benefit being largely driven by a \$101 million income tax benefit on a reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries that was not a recurring event in 2012.

In calculating the provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. 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 pretax 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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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. Our Global Automotive Services operations offer a wide range of financial services and insurance products to retail automotive consumers and automotive dealerships. Our automotive finance services include acquiring or 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 are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages, and we provide commercial insurance primarily covering dealers' wholesale vehicle inventory.

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.

(\$ in millions)	Three months ended March 31,		Favorable/ (unfavorable) % change
	2012	2011	
Net financing revenue			
Consumer	\$763	\$668	14
Commercial	322	326	(1)
Loans held-for-sale	5	—	100
Operating leases	536	651	(18)
Other interest income	18	23	(22)
Total financing revenue and other interest income	1,644	1,668	(1)
Interest expense	578	582	1
Depreciation expense on operating lease assets	291	268	(9)
Net financing revenue	775	818	(5)
Other revenue			
Servicing fees	30	45	(33)
Other income	49	64	(23)
Total other revenue	79	109	(28)
Total net revenue	854	927	(8)
Provision for loan losses	78	46	(70)
Noninterest expense			
Compensation and benefits expense	119	116	(3)
Other operating expenses	215	247	13
Total noninterest expense	334	363	8
Income before income tax expense (benefit)	\$442	\$518	(15)
Total assets	\$102,894	\$87,662	17
Operating data			
Retail Originations	\$8,927	\$10,140	(12)
Lease Originations	1,619	2,219	(27)

Our North American Automotive Finance operations earned income before income tax expense of \$442 million for the three months ended March 31, 2012, compared to \$518 million for the three months ended March 31, 2011. The decrease in 2012 was primarily driven by lower operating lease remarketing gains due to lower termination volume,

the run-off of legacy lease assets, lower servicing fees and remarketing fee income, and higher provision expense for loan losses. These declines were partially offset by increased consumer financing revenue driven by strong origination volume and lower operating expenses.

Consumer financing revenue increased 14% for the three months ended March 31, 2012, compared to the same period in 2011, due to an increase in consumer asset levels primarily related to strong loan origination volume, resulting primarily from increased volumes of used

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vehicle automotive financing and higher automotive industry sales. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Operating lease revenue decreased 18% for the three months ended March 31, 2012, compared to the same period in 2011, due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Servicing fee income decreased 33% for the three months ended March 31, 2012 compared to the same period in 2011, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of whole-loan sales.

Other income decreased 23% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform. While we continue to grow our diversified remarketing volumes with third parties, the growth was offset by reductions in remarketing volume from our off-lease vehicles and repossessed assets.

The provision for loan losses was \$78 million for the three months ended March 31, 2012, compared to \$46 million for the same period in 2011. The increase for the three months ended March 31, 2012, was primarily due to continued growth in consumer and commercial loans. Overall portfolio credit quality remains strong and continues to benefit from favorable pricing in the used vehicle market.

Other operating expenses decreased 13% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was a result of lower expense related to automotive manufacturer exclusivity arrangements and lower costs associated with reduced lease termination volumes, including lower vehicle remarketing expenses.

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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.

(\$ in millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	\$304	\$287	6
Commercial	93	104	(11)
Operating leases	4	4	—
Other interest income	17	26	(35)
Total financing revenue and other interest income	418	421	(1)
Interest expense	252	253	—
Depreciation expense on operating lease assets	2	2	—
Net financing revenue	164	166	(1)
Other revenue			
Other income	66	58	14
Total other revenue	66	58	14
Total net revenue	230	224	3
Provision for loan losses	47	37	(27)
Noninterest expense			
Compensation and benefits expense	44	44	—
Other operating expenses	94	112	16
Total noninterest expense	138	156	12
Income from continuing operations before income tax expense (benefit)	\$45	\$31	45
Total assets	\$16,054	\$16,295	(1)
Operating data			
Consumer originations (a) (b)	\$2,294	\$1,898	21

(a) Represents consumer originations for continuing operations only.

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

Our International Automotive Finance operations earned income from continuing operations before income tax expense of \$45 million during the three months ended March 31, 2012, compared to \$31 million during the three months ended March 31, 2011. The increase for the three months ended March 31, 2012, was primarily a result of lower operating expenses driven by lower legal costs in Latin America, our continued focus on cost reduction, and higher income earned from our China joint venture.

Total financing revenue and other interest income decreased \$3 million during the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to unfavorable movements in foreign-currency exchange rates on our consumer and commercial portfolios, which were partially offset by stronger originations, primarily in Brazil.

Other income increased 14% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher earnings from our China joint venture and higher income on other assets in Brazil.

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The provision for loan losses increased \$10 million for the three months ended March 31, 2012, compared to the same period in 2011. The increase in provision is related to increased reserves as a result of a cautious economic outlook in Europe and Latin America.

Other operating expenses decreased 16% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower legal expenses in Latin America.

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Automotive Financing Volume

Consumer Automotive Financing Volume

The following table summarizes our new and used vehicle consumer financing volume and our share of consumer sales.

	Ally consumer automotive financing volume		% Share of consumer sales	
	2012	2011	2012	2011
Three months ended March 31, (units in thousands)				
GM new vehicles				
North America	157	266	32	51
International (excluding China) (a)	97	75	30	24
China (b)	24	25	8	10
Total GM new units financed	278	366		
Chrysler new vehicles				
North America	82	75	26	30
International (excluding China)	—	—		
Total Chrysler new units financed	82	75		
Other non-GM / Chrysler new vehicles				
North America	21	19		
International (excluding China)	1	1		
China (b)	23	21		
Total other non-GM / Chrysler new units financed	45	41		
Used vehicles				
North America	141	125		
International (excluding China)	10	9		
China (b)	—	—		
Total used units financed	151	134		
Total consumer automotive financing volume	556	616		

(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.

The decline in consumer automotive financing volume during the three months ended March 31, 2012, compared to the same period in 2011, was primarily driven by lower retail penetration at both GM and Chrysler in North America. Despite the overall decrease between periods, both used and diversified originations increased due to our continued strategic focus within these markets. The decrease in North American GM penetration was due to a change in automotive manufacturers' incentive strategy and a decrease in Ally-exclusive incentives. The decrease in North American Chrysler penetration was the result of increased competition. The increases and favorable penetration levels in our International operations were primarily due to aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns and more competitive pricing.

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Manufacturer Marketing Incentives

The following table presents the percentage of retail and lease contracts acquired by us that included rate support from GM.

Three months ended March 31,	2012	2011		
GM subvented volume in North America				
As % of GM North American new retail and lease volume acquired by Ally	62	% 46		%
As % of total North American new and used retail and lease volume acquired by Ally	24	% 25		%
GM subvented International (excluding China) volume (a)				
As % of GM International new retail and lease volume acquired by Ally	71	% 61		%
As % of total International new and used retail and lease volume acquired by Ally	64	% 54		%
GM subvented volume in China (b)				
As % of GM China new retail and lease volume acquired by Ally	2	% 1		%
As % of total China new and used retail and lease volume acquired by Ally	1	% 1		%

(a) Represents subvention for continuing operations only.

(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.

The following table presents the percentage of Chrysler subvented retail and lease volume acquired by Ally.

Three months ended March 31,	2012	2011		
Chrysler subvented volume in North America				
As % of Chrysler North American new retail and lease volume acquired by Ally	50	% 48		%
As % of total North American new and used retail and lease volume acquired by Ally	10	% 7		%

During the three months ended March 31, 2012, North American retail contracts acquired that included rate subvention from GM and Chrysler increased as a percentage of total new retail contracts acquired as compared to the same period in 2011 due to a change in the mix of manufacturer marketing incentives away from non-rate programs. International retail contracts acquired from GM that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets.

For further discussion of our manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

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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.

Three months ended March 31, (\$ in millions)	Average balance		% Share of dealer inventory	
	2012	2011	2012	2011
GM new vehicles				
North America (a)	\$ 16,243	\$ 15,413	72	84
International (excluding China) (b) (c)	4,204	3,830	77	76
China (b) (d)	1,443	884	80	81
Total GM new vehicles financed	21,890	20,127		
Chrysler new vehicles				
North America (a)	7,755	7,182	60	68
International	20	21		
Total Chrysler new vehicles financed	7,775	7,203		
Other non-GM / Chrysler new vehicles				
North America	2,365	2,215		
International (excluding China)	72	131		
China (d)	5	—		
Total other non-GM / Chrysler new vehicles financed	2,442	2,346		
Used vehicles				
North America	3,215	3,076		
International (excluding China)	169	135		
Total used vehicles financed	3,384	3,211		
Total commercial wholesale finance receivables	\$ 35,491	\$ 32,887		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).

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

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) 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.

Commercial wholesale financing average volume increased for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to growing dealer inventories required to support increasing global automobile sales. North American GM and Chrysler wholesale penetration decreased for the three months ended March 31, 2012, compared to the same period in 2011, due to increased competition in the wholesale marketplace.

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Insurance Operations

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.

(\$ in millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Insurance premiums and other income			
Insurance premiums and service revenue earned	\$371	\$393	(6)
Investment income	82	79	4
Other income	15	13	15
Total insurance premiums and other income	468	485	(4)
Expense			
Insurance losses and loss adjustment expenses	155	157	1
Acquisition and underwriting expense			
Compensation and benefits expense	25	27	7
Insurance commissions expense	116	122	5
Other expenses	48	48	—
Total acquisition and underwriting expense	189	197	4
Total expense	344	354	3
Income from continuing operations before income tax expense (benefit)	\$124	\$131	(5)
Total assets	\$8,394	\$9,024	(7)
Insurance premiums and service revenue written	\$373	\$374	—
Combined ratio (a)	89.7	% 87.4	%

Management uses a 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 (a) 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.

Our Insurance operations earned income from continuing operations before income tax expense of \$124 million for the three months ended March 31, 2012, compared to \$131 million for the three months ended March 31, 2011. The decrease was primarily attributable to lower insurance premiums and service revenue earned.

Total insurance premiums and other income decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Insurance losses and loss adjustment expenses totaled \$155 million for the three months ended March 31, 2012, compared to \$157 million for the three months ended March 31, 2011. The decrease was driven primarily by decreased volume of our U.S. extended service contracts. This decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower commissions expense in our U.S. dealership-related products matching our decrease in earned premiums.

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The following table shows premium and service revenue written by insurance product.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Vehicle service contracts		
New retail	\$94	\$90
Used retail	134	129
Reinsurance	(31	) (25
Total vehicle service contracts	197	194
Wholesale	20	22
Other finance and insurance (a)	33	30
North American operations	250	246
International operations	123	128
Total	\$373	\$374

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

Insurance premiums and service revenue written was \$373 million for the three months ended March 31, 2012, compared to \$374 million for the same period in 2011. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. As such, the majority of earnings from vehicle service contracts written during the three months ended March 31, 2012, will be recognized as income in future periods.

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.

(\$ in millions)	March 31, 2012	December 31, 2011
Cash		
Noninterest-bearing cash	\$234	\$211
Interest-bearing cash	1,053	629
Total cash	1,287	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	398	496
Foreign government	758	678
Mortgage-backed	466	590
Asset-backed	137	95
Corporate debt	1,551	1,491
Other debt	21	23
Total debt securities	3,331	3,373
Equity securities	969	1,054
Total available-for-sale securities	4,300	4,427
Total cash and securities	\$5,587	\$5,267

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Mortgage Operations

Our Mortgage operations include the ResCap legal entity and the mortgage operations of Ally Bank (Refer to Note 1 for further details on ResCap). Results from continuing operations for our Mortgage operations are presented by reportable segment, which includes our Origination and Servicing operations and our Legacy Portfolio and Other operations.

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; 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 millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue (loss)			
Total financing revenue and other interest income	\$104	\$101	3
Interest expense	97	118	18
Net financing revenue (loss)	7	(17	) 141
Servicing fees	281	312	(10
Servicing asset valuation and hedge activities, net	9	(87	) 110
Total servicing income, net	290	225	29
Gain on mortgage loans, net	126	72	75
Other income, net of losses	131	43	n/m
Total other revenue	547	340	61
Total net revenue	554	323	72
Provision for loan losses	1	2	50
Noninterest expense			
Compensation and benefits expense	86	65	(32
Representation and warranty expense	11	(2	) n/m
Other operating expenses	239	173	(38
Total noninterest expense	336	236	(42
Income before income tax expense (benefit)	\$217	\$85	155
Total assets	\$19,556	\$18,714	4

n/m = not meaningful

Our Origination and Servicing operations earned income before income tax expense of \$217 million for the three months ended March 31, 2012, compared to income before income tax expense of \$85 million for the three months ended March 31, 2011. The increase was primarily driven by favorable servicing asset valuation, net of hedge, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans.

Net financing revenue was \$7 million for the three months ended March 31, 2012, compared to net financing loss of \$17 million for the same period in 2011. The increase in net financing revenue was primarily due to lower funding costs.

Total servicing income, net was \$290 million for the three months ended March 31, 2012, compared to \$225 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to

higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement. The net gain on mortgage loans increased 75% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher margins due to change in channel mix. Other income, net of losses, was \$131 million for the three months ended March 31, 2012, compared to \$43 million for the same period in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage lending-

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production associated with government-sponsored refinancing programs.

Total noninterest expense increased 42% for the three months ended March 31, 2012, compared to the same periods in 2011. The increase was primarily driven by higher compensation and benefits expense related to an increase in headcount due to higher consumer mortgage-lending production, higher consulting charges related to the foreclosure review process, and higher legal fees.

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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 runoff, and cash held in the ResCap legal entity (Refer to Note 1 for further details on ResCap). These activities included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; 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; certain conforming origination channels closed in 2008; and our mortgage reinsurance business.

(\$ in millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	\$ 155	\$ 198	(22)
Interest expense	105	121	13
Net financing revenue	50	77	(35)
Servicing fees	(1)	(1)	—
Servicing asset valuation and hedge activities, net	—	—	—
Total servicing income, net	(1)	(1)	—
Gain on mortgage loans, net	5	18	(72)
Other income, net of losses	(4)	(4)	—
Total other revenue	—	13	(100)
Total net revenue	50	90	(44)
Provision for loan losses	26	45	42
Noninterest expense			
Compensation and benefits expense	38	36	(6)
Representation and warranty expense	8	28	71
Other operating expenses	4	23	83
Total noninterest expense	50	87	43
Loss from continuing operations before income tax expense (benefit)	\$(26)	\$(42)	38
Total assets	\$10,523	\$12,259	(14)

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of \$26 million for the three months ended March 31, 2012, compared to a loss from continuing operations before income tax expense of \$42 million for the three months ended March 31, 2011. The loss during 2012 was favorably impacted by lower representation and warranty expense and a lower provision for loan losses. Offsetting the improvement during the three months ended March 31, 2012, was lower net financing revenue related to a decline in asset levels. Net financing revenue was \$50 million for the three months ended March 31, 2012, compared to \$77 million for the same period in 2011. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to portfolio runoff and loan sales in 2011. 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 \$5 million for the three months ended March 31, 2012 compared to \$18 million for the same period in 2011. The decrease during 2012 was primarily due to lower sales of domestic legacy assets and lower volume of mortgage loan resolutions.

The provision for loan losses was \$26 million for the three months ended March 31, 2012, compared to \$45 million for the same period in 2011. The decrease in the provision for the three months ended March 31, 2012, reflected

improved credit performance, partially offset by a lower reserve release.

Total noninterest expense decreased 43% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily driven by lower representation and warranty expense and lower losses related to captive reinsurance activities.

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Mortgage Loan Production and Servicing

Mortgage loan production for our Origination and Servicing operations was \$8.6 billion for the three months ended March 31, 2012, compared to \$11.8 billion for the same period in 2011. Loan production decreased \$3.3 billion, or 27%, for the three months ended March 31, 2012, compared to the same period in 2011. The decline in loan production was largely driven by our reduced presence in the correspondent lending channel, partially offset by increased volume in our direct channels associated with government-sponsored refinancing programs.

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

Three months ended March 31, (\$ in millions)	2012		2011	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	31,031	\$6,643	45,431	\$9,926
Prime nonconforming	578	464	455	384
Prime second-lien	—	—	—	—
Government	6,821	1,489	7,537	1,537
Nonprime	—	—	—	—
Total U.S. production by product type	38,430	\$8,596	53,423	\$11,847
U.S. production by channel				
Direct lending	17,792	\$3,690	7,014	\$1,369
Correspondent lender and secondary market purchases	17,029	3,953	45,543	10,270
Mortgage brokers	3,609	953	866	208
Total U.S. production by channel	38,430	\$8,596	53,423	\$11,847

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

(\$ in millions)	March 31, 2012	December 31, 2011
U.S. primary servicing portfolio		
Prime conforming	\$217,682	\$226,239
Prime nonconforming	46,051	47,767
Prime second-lien	6,069	6,871
Government	48,033	49,027
Nonprime	20,147	20,753
International primary servicing portfolio	5,922	5,773
Total primary servicing portfolio (a)	\$343,904	\$356,430

(a) Excludes loans for which we acted as a servicer. Serviced loans totaled \$28.4 billion and \$26.4 billion at March 31, 2012, and December 31, 2011, respectively.

For more information regarding our serviced mortgage assets, refer to Note 11 to the Condensed Consolidated Financial Statements.

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Loans Outstanding

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

(\$ in millions)	March 31, 2012	December 31, 2011
Prime conforming	\$1,402	\$3,034
Prime nonconforming	—	—
Prime second-lien	—	—
Government (a)	2,969	3,274
Nonprime	—	—
International	—	—
Total	4,371	6,308
Net premiums	30	80
Fair value option election adjustment	28	87
Lower-of-cost or fair value adjustment	(6	) (5
Total, net	\$4,423	\$6,470

Includes loans subject to conditional repurchase options of \$2.3 billion and \$2.3 billion sold to Ginnie

(a)Mae-guaranteed securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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

(\$ in millions)	March 31, 2012	December 31, 2011
Prime conforming	\$—	\$—
Prime nonconforming	3,013	2,815
Prime second-lien	—	—
Government	—	—
Nonprime	—	—
International	—	—
Total	3,013	2,815
Net premiums	23	20
Fair value option election adjustment	—	—
Allowance for loan losses	(18) (16
Total, net	\$3,018	\$2,819

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

(\$ in millions)	March 31, 2012	December 31, 2011
Prime conforming	\$312	\$311
Prime nonconforming	562	571
Prime second-lien	527	545
Government	22	20
Nonprime	546	561
International	43	17
Total (a)	2,012	2,025
Net discounts	(306	) (301
Fair value option election adjustment	(32	) (27
Lower-of-cost or fair value adjustment	(50	) (55
Total, net (b)	\$1,624	\$1,642

Includes unpaid principal write-down of \$1.4 billion and \$1.5 billion at March 31, 2012, and December 31, 2011, (a) respectively. The amounts are 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.

Includes loans subject to conditional repurchase options of \$99 million and \$106 million sold to off-balance sheet (b) private-label securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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

(\$ in millions)	March 31, 2012	December 31, 2011
Prime conforming	\$268	\$278
Prime nonconforming	5,108	5,254
Prime second-lien	2,104	2,200
Government	—	—
Nonprime	1,299	1,349
International	441	422
Total	9,220	9,503
Net premiums	17	18
Fair value option election adjustment	(1,554	) (1,601
Allowance for loan losses	(463	) (479
Total, net (a)	\$7,220	\$7,441

At March 31, 2012, and December 31, 2011, 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 (a) \$832 million and \$837 million, 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.

Mortgage Foreclosure Matters

Refer to Note 24 to the Condensed Consolidated Financial Statements for information related to these matters.

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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 primarily consists of our centralized corporate treasury and deposit gathering activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing and treasury ALM activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, and reclassifications and eliminations between the reportable operating segments.

(\$ in millions)	Three months ended March 31,		
	2012	2011	Favorable/ (unfavorable) % change
Net financing loss			
Total financing revenue and other interest income	\$38	\$47	(19)
Interest expense			
Original issue discount amortization	111	299	63
Other interest expense	274	270	(1)
Total interest expense	385	569	32
Net financing loss	(347)	(522)	34
Other revenue			
Loss on extinguishment of debt	—	(39)	100
Other gain on investments, net	24	25	(4)
Other income, net of losses	23	39	(41)
Total other revenue	47	25	88
Total net expense	(300)	(497)	40
Provision for loan losses	(12)	(17)	(29)
Noninterest expense			
Compensation and benefits expense	163	136	(20)
Other operating expense	(15)	8	n/m
Total noninterest expense	148	144	(3)
Loss from continuing operations before income tax expense (benefit)	\$(436)	\$(624)	30
Total assets	\$28,929	\$29,750	(3)

n/m = not meaningful

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

(\$ in millions)	Three months ended March 31,	
	2012	2011
Original issue discount amortization		
2008 bond exchange amortization	\$(104)	\$(286)
Other debt issuance discount amortization	(7)	(13)
Total original issue discount amortization (a)	(111)	(299)
Net impact of the funds transfer pricing methodology		
Cost of liquidity	(166)	(184)
Funds-transfer pricing / cost of funds mismatch	(147)	(109)
Benefit of net non-earning assets	58	41
Total net impact of the funds transfer pricing methodology	(255)	(252)

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Other (including Commercial Finance Group net financing revenue)	19	29
Total net financing losses for Corporate and Other	\$(347)	\$(522)
Outstanding original issue discount balance	\$2,093	\$2,840

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

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The following table presents the scheduled remaining amortization of the original issue discount at March 31, 2012.

Year ended December 31, (\$ in millions)	2012 (a)	2013	2014	2015	2016	2017 and thereafter (b)	Total
Original issue discount							
Outstanding balance	\$1,853	\$1,588	\$1,396	\$1,336	\$1,272	\$—	
Total amortization (c)	240	265	192	60	64	1,272	\$2,093
2008 bond exchange amortization (d)	216	241	166	43	53	1,125	1,844

(a) Represents the remaining future original issue discount amortization expense to be taken during 2012.

(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 Comprehensive Income.

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

Loss from continuing operations before income tax expense for Corporate and Other was \$436 million for the three months ended March 31, 2012, compared to \$624 million for the three months ended March 31, 2011. Corporate and Other's loss from continuing operations before income tax expense 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 improvement in the loss from continuing operations before income tax expense for the three months ended March 31, 2012, was primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the three months ended March 31, 2012, compared to \$30 million for the three months ended March 31, 2011. The improvement was partially offset by an increase in compensation and benefits expense related to a revaluation adjustment of our share-based compensation awards.

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 \$31 million for the three months ended March 31, 2012, compared to \$51 million for the three months ended March 31, 2011. The decrease was primarily due to lower net financing revenue driven by lower average asset levels.

Cash and Securities

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

(\$ in millions)	March 31, 2012	December 31, 2011
Cash		
Noninterest-bearing cash	\$1,541	\$1,768
Interest-bearing cash	9,577	9,781
Total cash	11,118	11,549
Trading securities		
Mortgage-backed	863	589
Total trading securities	863	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,046	1,051
States and political subdivisions	1	1
Foreign government	107	106
Mortgage-backed	6,353	6,722

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Asset-backed	2,570	2,520
Other debt (a)	561	305
Total debt securities	10,638	10,705
Equity securities	4	4
Total available-for-sale securities	10,642	10,709
Total cash and securities	\$22,623	\$22,847
(a) Includes intersegment eliminations.		

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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 identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, market, lease residual, operational, liquidity, country and legal and compliance risk. For more information on our risk management process, refer to the Risk Management MD&A section of our 2011 Annual Report on Form 10-K.

Loan and Lease Exposure

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

(\$ in millions)	March 31, 2012	December 31, 2011
Finance receivables and loans		
Global Automotive Services	\$ 106,321	\$ 100,734
Mortgage operations	12,208	12,753
Corporate and Other	1,289	1,268
Total finance receivables and loans	119,818	114,755
Held-for-sale loans		
Global Automotive Services	623	425
Mortgage operations	6,047	8,112
Corporate and Other	—	20
Total held-for-sale loans	6,670	8,557
Total on-balance sheet loans	\$ 126,488	\$ 123,312
Off-balance sheet securitized loans		
Global Automotive Services	\$—	\$—
Mortgage operations	316,846	326,975
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 316,846	\$ 326,975
Operating lease assets		
Global Automotive Services	\$ 10,048	\$ 9,275
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 10,048	\$ 9,275
Serviced loans and leases		
Global Automotive Services	\$ 127,545	\$ 122,881
Mortgage operations (a)	343,904	356,430
Corporate and Other	1,709	1,762
Total serviced loans and leases	\$ 473,158	\$ 481,073

(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, used vehicle and housing pricing, unemployment levels, 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 our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. 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 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.

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 and have committees in place to oversee all aspects of the credit decisioning and management processes. The Ally Global Credit Risk Committee (GCRC) is chaired by the Chief Risk Officer and is responsible for identifying, measuring, monitoring, and controlling the credit risks while also permitting acceptable variations for a specific line of business with proper approval. The GCRC reports to the Ally Risk and Compliance Committee (RCC), which is chaired by an

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independent member of the Board. The Global Risk organization is responsible for managing credit risk exposures in a safe-and-sound manner within the guidelines and targets jointly approved by the GCRC and RCC. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit risk portfolios and credit risk management practices by directly reporting its findings to the RCC on recurring basis.

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 and lease 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. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

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 primarily focused on consumer automobile loans and leases and mortgage loans in addition to automobile-related commercial lending. 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 may take part in loan sales and syndications.

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. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers.

During the first three months of 2012, the U.S. economy continued to expand modestly and the labor market further recovered. Within the U.S. automotive and mortgage portfolios, encouraging trends include increased industry sales and strong pricing in used vehicles. We continue to be cautious due to higher average gasoline prices and their effect on automobile sales and the uncertainty emanating from weaker economic growth in Europe and other key international markets. However, we have seen signs of economic stabilization in housing, and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At March 31, 2012, this primarily included \$107.0 billion of automobile finance receivables and loans and \$18.3 billion of mortgage finance receivables and loans. 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 Condensed Consolidated Statement of Comprehensive Income.

During the three months ended March 31, 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

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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.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Consumer						
Finance receivables and loans						
Loans at historical cost	\$77,172	\$73,452	\$543	\$567	\$4	\$4
Loans at fair value	832	835	214	210	—	—
Total finance receivables and loans	78,004	74,287	757	777	4	4
Loans held-for-sale	6,670	8,537	2,768	2,820	73	73
Total consumer loans	84,674	82,824	3,525	3,597	77	77
Commercial						
Finance receivables and loans						
Loans at historical cost	41,814	40,468	302	339	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	41,814	40,468	302	339	—	—
Loans held-for-sale	—	20	—	—	—	—
Total commercial loans	41,814	40,488	302	339	—	—
Total on-balance sheet loans	\$126,488	\$123,312	\$3,827	\$3,936	\$77	\$77

(a) Includes nonaccrual troubled debt restructured loans of \$1.0 billion and \$934 million at March 31, 2012, and December 31, 2011, respectively.

Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This (b) includes troubled debt restructured loans classified as 90 days past due and still accruing of \$45 million and \$42 million at March 31, 2012, and December 31, 2011, respectively.

Total on-balance sheet loans outstanding at March 31, 2012, increased \$3.2 billion to \$126.5 billion from December 31, 2011 reflecting an increase of \$1.9 billion in the consumer portfolio and a increase of \$1.3 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding was primarily driven by strong automobile consumer loan originations which outpaced portfolio runoff and higher dealer floorplan loans, both primarily due to increased automotive industry sales.

The total TDRs outstanding at March 31, 2012, increased \$207 million to \$2.2 billion from December 31, 2011. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at March 31, 2012, decreased \$109 million to \$3.8 billion from December 31, 2011, reflecting a decrease of \$72 million of consumer nonperforming loans and a decrease of \$37 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was largely due to seasonal improvements within our consumer mortgage portfolio and continued improvement in the performance of our commercial automobile dealers.

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.

Three months ended March 31,	
Net charge-offs (recoveries)	Net charge-off ratios (a)

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(\$ in millions)	2012	2011	2012	2011		
Consumer						
Finance receivables and loans at historical cost	\$117	\$169	0.6	% 1.0	%	
Commercial						
Finance receivables and loans at historical cost	(10	) 20	(0.1	) 0.2		
Total finance receivables and loans at historical cost	\$107	\$189	0.4	0.7		

Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance (a)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 \$107 million for the three months ended March 31, 2012, compared to \$189 million for the three months ended March 31, 2011. This decline was primarily due to reduced net charge-offs in the consumer automobile portfolio. Loans held-for-sale are

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accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The Consumer Credit Portfolio and Commercial Credit Portfolio discussions that follow relate to consumer and commercial 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 are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

During the three months ended March 31, 2012, 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 the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Domestic						
Consumer automobile	\$49,444	\$46,576	\$135	\$139	\$—	\$—
Consumer mortgage						
1st Mortgage	6,929	6,867	238	258	1	1
Home equity	3,020	3,102	52	58	—	—
Total domestic	59,393	56,545	425	455	1	1
Foreign						
Consumer automobile	17,770	16,883	110	89	3	3
Consumer mortgage						
1st Mortgage	9	24	8	23	—	—
Home equity	—	—	—	—	—	—
Total foreign	17,779	16,907	118	112	3	3
Total consumer finance receivables and loans	\$77,172	\$73,452	\$543	\$567	\$4	\$4

(a) Includes nonaccrual troubled debt restructured loans of \$170 million and \$180 million at March 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans increased \$3.7 billion at March 31, 2012 compared with December 31, 2011. This increase was driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales.

Total consumer nonperforming finance receivables and loans at March 31, 2012, decreased \$24 million to \$543 million from December 31, 2011, reflecting a decrease of \$42 million of consumer mortgage nonperforming finance receivables and loans and an increase of \$18 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to seasonal improvements. Nonperforming consumer automotive finance receivables and loans increased largely due to economic stresses in certain areas in Latin America. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.7% and 0.8% at March 31, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased \$240 million to \$543 million at March 31, 2012, compared with December 31, 2011, primarily due to seasonality.

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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.

(\$ in millions)	Three months ended March 31,			
	Net charge-offs		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Consumer automobile	\$54	\$89	0.4	% 1.0
Consumer mortgage				
1st Mortgage	23	36	1.4	2.1
Home equity	20	21	2.6	2.5
Total domestic	97	146	0.7	1.2
Foreign				
Consumer automobile	20	23	0.4	0.6
Consumer mortgage				
1st Mortgage	—	—	—	—
Home equity	—	—	—	—
Total foreign	20	23	0.5	0.5
Total consumer finance receivables and loans	\$117	\$169	0.6	1.0

Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance (a)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 \$38 million for the three months ended March 31, 2012, compared to the same period in 2011. The decrease in net charge-offs was primarily due to lower loss frequency reflecting the modest U.S. economic improvements and reduced loss severity due to strong used vehicle pricing.

Our net charge-offs from total consumer mortgage receivables and loans were \$43 million for the three months ended March 31, 2012, compared to \$57 million for the same period in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

(\$ in millions)	Three months ended March 31,	
	2012	2011
Domestic		
Consumer automobile	\$8,108	\$9,384
Consumer mortgage		
1st Mortgage	8,596	11,847
Home equity	—	—
Total domestic	16,704	21,231
Foreign		
Consumer automobile	2,544	2,064
Consumer mortgage		
1st Mortgage	—	312
Home equity	—	—
Total foreign	2,544	2,376
Total consumer loan originations	\$19,248	\$23,607

Total domestic automobile-originated loans decreased \$1.3 billion for the three months ended March 31, 2012, respectively, compared to the same period in 2011, primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

Total domestic mortgage-originated loans decreased \$3.3 billion for the three months ended March 31, 2012. The decrease for the three months ended March 31, 2012 was driven by the reduction in correspondent lending.

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Consumer loan originations retained on-balance sheet as held-for-investment were \$11.1 billion for the three months ended March 31, 2012, and \$11.8 billion for the three months ended March 31, 2011. The decrease was primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

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 \$67.2 billion and \$63.5 billion at March 31, 2012, and December 31, 2011, respectively. Total mortgage and home equity loans were \$10.0 billion at both March 31, 2012, and December 31, 2011.

	March 31, 2012 (a)		December 31, 2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	9.5	% 5.7	% 9.5	% 5.5
California	4.4	26.4	4.6	25.7
Florida	4.8	3.9	4.8	4.0
Michigan	3.9	4.7	4.0	4.8
Pennsylvania	3.6	1.6	3.6	1.6
Illinois	3.1	4.9	3.1	5.0
New York	3.5	2.2	3.5	2.3
Ohio	2.9	1.0	2.9	1.0
Georgia	2.5	1.8	2.5	1.8
North Carolina	2.2	2.0	2.2	2.1
Other United States	33.0	45.7	32.9	45.9
Canada	11.4	—	11.8	0.2
Brazil	4.8	—	4.7	—
Germany	4.1	—	4.3	—
Other foreign	6.3	0.1	5.6	0.1
Total consumer loans	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 March 31, 2012.

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 are in Texas and California, which represented an aggregate of 16.3% of our total outstanding consumer finance receivables and loans at March 31, 2012.

Concentrations in our Mortgage operations 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 Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

Repossessed assets in our Automotive Finance operations at March 31, 2012, decreased \$4 million to \$52 million from December 31, 2011. Foreclosed mortgage assets at March 31, 2012, decreased \$9 million to \$68 million from December 31, 2011.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. 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.

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The following table summarizes 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.

(\$ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Interest-only mortgage loans (a)	\$2,828	\$2,947	\$130	\$147	\$—	\$—
Below-market rate (teaser) mortgages	240	248	6	6	—	—
Total higher-risk mortgage loans	\$3,068	\$3,195	\$136	\$153	\$—	\$—

(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 \$153 million or 4.98% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at March 31, 2012. The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

(\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk mortgage loans
March 31, 2012			
California	\$708	\$76	\$784
Virginia	270	11	281
Maryland	208	6	214
Michigan	194	8	202
Illinois	148	7	155
Other United States	1,300	132	1,432
Total higher-risk mortgage loans	\$2,828	\$240	\$3,068
December 31, 2011			
California	\$748	\$78	\$826
Virginia	274	10	284
Maryland	217	6	223
Michigan	199	9	208
Illinois	153	8	161
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$2,947	\$248	\$3,195

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Commercial Credit Portfolio

During the three months ended March 31, 2012, 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 in our 2011 Annual Report on Form 10-K.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
Domestic						
Commercial and industrial						
Automobile	\$28,197	\$26,552	\$109	\$105	\$—	\$—
Mortgage	1,377	1,887	—	—	—	—
Other (c)	1,204	1,178	21	22	—	—
Commercial real estate						
Automobile	2,372	2,331	49	56	—	—
Mortgage	—	—	—	—	—	—
Total domestic	33,150	31,948	179	183	—	—
Foreign						
Commercial and industrial						
Automobile	8,407	8,265	65	118	—	—
Mortgage	26	24	26	—	—	—
Other (c)	56	63	12	15	—	—
Commercial real estate						
Automobile	160	154	5	11	—	—
Mortgage	15	14	15	12	—	—
Total foreign	8,664	8,520	123	156	—	—
Total commercial finance receivables and loans	\$41,814	\$40,468	\$302	\$339	\$—	\$—

(a) Includes nonaccrual troubled debt restructured loans of \$52 million and \$21 million at March 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012 and December 31, 2011.

(c) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding increased \$1.3 billion to \$41.8 billion at March 31, 2012, from December 31, 2011. Commercial and industrial outstandings increased \$1.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories partially offset by mortgage warehouse lending declines in line utilization due to seasonality.

Total commercial nonperforming finance receivables and loans were \$302 million at March 31, 2012, a decrease of \$37 million compared to December 31, 2011, 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 0.7% and 0.8% at March 31, 2012, and December 31, 2011, respectively.

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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.

(\$ in millions)	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Commercial and industrial				
Automobile	\$—	\$2	—	% n/m
Mortgage	—	2	—	0.8
Other	(5	) (2	) (1.5	) (0.5
Commercial real estate				
Automobile	—	(1	) —	(0.2
Mortgage	—	(1	) —	n/m
Total domestic	(5	) —	(0.1) —
Foreign				
Commercial and industrial				
Automobile	—	2	—	0.1
Mortgage	—	1	—	9.7
Other	(4	) 3	(28.8	) 4.3
Commercial real estate				
Automobile	—	—	—	—
Mortgage	(1	) 14	(22.6	) 78.4
Total foreign	(5	) 20	(0.2	) 0.9
Total commercial finance receivables and loans	\$(10	) \$20	(0.1	) 0.2

n/m = not meaningful

Net charge-off ratios are calculated as annualized net charge-offs divided by average outstanding finance (a)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 resulted in recoveries of \$10 million for the three months ended March 31, 2012, compared to net charge-offs of \$20 million for the same period in 2011. The decrease in net charge-offs were largely driven by an improved mix of loans in the existing portfolio and strong recoveries in certain wind-down portfolios.

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Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans remained flat at \$2.5 billion at March 31, 2012, and December 31, 2011.

The following table presents 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.

	March 31, 2012	December 31, 2011	
Geographic region			
Michigan	12.7	% 14.1	%
Texas	12.5	12.4	
Florida	12.4	12.4	
California	9.4	9.3	
Virginia	4.0	4.1	
New York	3.3	3.5	
Pennsylvania	2.9	2.9	
Alabama	2.5	2.6	
Georgia	2.5	2.5	
North Carolina	2.1	2.1	
Other United States	28.9	27.5	
Canada	3.8	3.5	
United Kingdom	1.7	1.8	
Mexico	1.0	1.0	
Other foreign	0.3	0.3	
Total commercial real estate finance receivables and loans	100.0	% 100.0	%
Property type			
Automotive dealers	99.4	% 99.4	%
Other	0.6	0.6	
Total commercial real estate finance receivables and loans	100.0	% 100.0	%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. 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 presents 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.

	March 31, 2012	December 31, 2011	
Industry			
Automotive	83.0	% 82.9	%
Banks and finance companies	4.3	4.2	
Real Estate	3.6	4.5	
Other	9.1	8.4	
Total commercial criticized finance receivables and loans	100.0	% 100.0	%

Total criticized exposures declined \$97 million to \$3.0 billion at March 31, 2012 from December 31, 2011, primarily due to improvements in the automotive industry as well as the continued wind-down of commercial assets in the real estate industry.

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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.

Three months ended March 31, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total	
Allowance at January 1, 2012	\$766	\$516	\$1,282	\$221	\$1,503	
Charge-offs						
Domestic	(100)	(45)	(145)	(2)	(147))
Foreign	(36)	—	(36)	—	(36))
Total charge-offs	(136)	(45)	(181)	(2)	(183))
Recoveries						
Domestic	46	2	48	7	55	
Foreign	16	—	16	5	21	
Total recoveries	62	2	64	12	76	
Net charge-offs	(74)	(43)	(117)	10	(107))
Provision for loan losses	133	28	161	(21)	140)
Other	7	—	7	3	10	
Allowance at March 31, 2012	\$832	\$501	\$1,333	\$213	\$1,546	
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2012 (a)	1.2	% 5.0	% 1.7	% 0.5	% 1.3	%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2012 (a)	0.5	% 1.7	% 0.6	% (0.1)	% 0.4	%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2012 (a)	339.2	% 168.2	% 245.4	% 70.5	% 182.9	%
Ratio of allowance for loans losses to net charge-offs at March 31, 2012	2.8	2.9	2.9	(5.4)	3.6)

(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.

Three months ended March 31, 2011 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total	
Allowance at January 1, 2011	\$970	\$580	\$1,550	\$323	\$1,873	
Charge-offs						
Domestic	(139)	(60)	(199)	(6)	(205))
Foreign	(42)	—	(42)	(31)	(73))
Total charge-offs	(181)	(60)	(241)	(37)	(278))
Recoveries						
Domestic	50	3	53	6	59	
Foreign	19	—	19	11	30	
Total recoveries	69	3	72	17	89	
Net charge-offs	(112)	(57)	(169)	(20)	(189))
Provision for loan losses	53	40	93	20	113)
Other	5	—	5	4	9	
Allowance at March 31, 2011	\$916	\$563	\$1,479	\$327	\$1,806	
	1.6	% 5.3	% 2.2	% 0.8	% 1.7	%

Allowance for loan losses to finance
receivables and loans outstanding at March
31, 2011 (a)

Net charge-offs to average finance receivables and loans outstanding at March 31, 2011 (a)	0.8	% 2.1	% 1.0	% 0.2	% 0.7	%
--------------------------------------------------------------------------------------------------	-----	-------	-------	-------	-------	---

Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2011 (a)	488.9	% 136.7	% 246.7	% 50.7	% 145.2	%
------------------------------------------------------------------------------------------------------------	-------	---------	---------	--------	---------	---

Ratio of allowance for loans losses to net charge-offs at March 31, 2011	2.0	2.5	2.2	4.1	2.4
-----------------------------------------------------------------------------	-----	-----	-----	-----	-----

(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.

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The allowance for consumer loan losses at March 31, 2012, declined \$146 million compared to March 31, 2011. The decline reflected overall improved credit quality of newer vintages combined with the run-off of legacy vintages, which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses declined \$114 million at March 31, 2012, compared to March 31, 2011, primarily related to ongoing strength in dealer performance and the continued wind-down of non-core commercial assets.

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

March 31, (\$ in millions)	2012			2011		
	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	\$628	1.3	% 40.6	% \$727	1.8	% 40.2
Consumer mortgage						
1st Mortgage	262	3.8	16.9	304	4.4	16.8
Home equity	236	7.8	15.3	258	7.7	14.3
Total domestic	1,126	1.9	72.8	1,289	2.6	71.3
Foreign						
Consumer automobile	204	1.1	13.2	189	1.1	10.5
Consumer mortgage						
1st Mortgage	3	38.6	0.2	1	0.3	0.1
Home equity	—	—	—	—	—	—
Total foreign	207	1.2	13.4	190	1.1	10.6
Total consumer loans	1,333	1.7	86.2	1,479	2.2	81.9
Commercial						
Domestic						
Commercial and industrial						
Automobile	62	0.2	4.0	70	0.3	3.9
Mortgage	1	—	0.1	—	—	—
Other	49	4.1	3.2	92	5.7	5.1
Commercial real estate						
Automobile	35	1.5	2.2	54	2.6	3.0
Mortgage	—	—	—	—	—	—
Total domestic	147	0.4	9.5	216	0.7	12.0
Foreign						
Commercial and industrial						
Automobile	46	0.5	3.0	63	0.7	3.5
Mortgage	11	43.8	0.7	15	37.0	0.8
Other	1	1.2	0.1	28	9.3	1.5
Commercial real estate						
Automobile	3	1.7	0.2	2	0.8	0.1
Mortgage	5	34.3	0.3	3	6.4	0.2

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Total foreign	66	0.8	4.3	111	1.1	6.1	
Total commercial loans	213	0.5	13.8	327	0.8	18.1	
Total allowance for loan losses	\$1,546	1.3	100.0	% \$1,806	1.7	100.0	%

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Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

(\$ in millions)	Three months ended March 31,		
	2012	2011	
Consumer			
Domestic			
Consumer automobile	\$83	\$46	
Consumer mortgage			
1st Mortgage	10	17	
Home equity	18	23	
Total domestic	111	86	
Foreign			
Consumer automobile	50	7	
Consumer mortgage			
1st Mortgage	—	—	
Home equity	—	—	
Total foreign	50	7	
Total consumer loans	161	93	
Commercial			
Domestic			
Commercial and industrial			
Automobile	—	—	
Mortgage	—	1	
Other	(7) (8)
Commercial real estate			
Automobile	(5) (1)
Mortgage	—	—	
Total domestic	(12) (8)
Foreign			
Commercial and industrial			
Automobile	(4) 31	
Mortgage	—	1	
Other	(4) (9)
Commercial real estate			
Automobile	—	—	
Mortgage	(1	) 5
Total foreign	(9) 28	
Total commercial loans	(21) 20	
Total provision for loan losses	\$140	\$113	

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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 and earnings 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 have entered 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 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 also 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 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 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.

Since December 31, 2011, there have been no material changes in these market risks. Refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis.

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Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, whole-loan asset sales, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could negatively impact the cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's ability to meet cash flow obligations that are uncertain as they are affected by external events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to the solvency of these same financial institutions.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO. 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.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At March 31, 2012, we maintained \$24.5 billion of total available parent company liquidity and \$13.5 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. 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 March 31, 2012, \$3.0 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, 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 amounts.

In December 2010, the Basel Committee on Banking Supervision issued "Basel III: International framework for liquidity risk measurement, standards and monitoring", which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR measures the ratio of stable funding with a maturity

greater than one year to the liquidity characteristics of assets plus contingent exposures. The Basel Committee on Banking Supervision expects the LCR to be implemented beginning in January 2015 and the NSFR beginning in January 2018. We continue to monitor the potential impacts of these developments and expect to be able to meet the final requirements.

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 and raising deposits. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, public and private asset-backed securitizations, whole-loan asset sales, domestic and international committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. 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 Ally Bank funding and parent company or nonbank funding. The FDIC indicated that it expected us to diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding

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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 our funding sources, in particular at Ally Bank by expanding public and private securitization programs, 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.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our automotive finance and mortgage loan operations with a stable and low-cost funding source. At March 31, 2012, Ally Bank had \$41.5 billion of total external deposits, including \$29.3 billion of retail deposits.

At March 31, 2012, Ally Bank maintained cash liquidity of \$4.4 billion and highly liquid U.S. federal government and U.S. agency securities of \$5.4 billion, excluding certain securities that were encumbered at March 31, 2012. In addition, at March 31, 2012, Ally Bank had unused capacity in committed secured funding facilities of \$6.7 billion, including an equal allocation of shared unused capacity of \$3.8 billion from a 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 continues to be a key part 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 in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. 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 when compared to 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, money market accounts, IRA deposit products, as well as an online checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first three months of 2012, the deposit base at Ally Bank grew \$1.9 billion, ending the quarter at \$41.5 billion from \$39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the first quarter of 2012, we retained 91% of maturing CD balances up for renewal in 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, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At March 31, 2012, debt outstanding from the FHLB totaled \$5.0 billion 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. Funding from repurchase agreements is accounted for as debt on our Condensed Consolidated Balance Sheet. At March 31, 2012, Ally Bank had \$561 million of debt outstanding under repurchase agreements.

Refer to Note 13 to the Condensed 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 2011.

(\$ in millions)	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	1,036,468	976,877	919,670	851,991	798,622
Deposits					

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Retail	\$29,323	\$27,685	\$26,254	\$24,562	\$23,469
Brokered	9,884	9,890	9,911	9,903	9,836
Other (a)	2,314	2,029	2,704	2,405	2,064
Total deposits	\$41,521	\$39,604	\$38,869	\$36,870	\$35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

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 the first quarter of 2012, Ally Bank completed three public term securitization transactions and raised \$4.2 billion of secured funding backed by retail automotive loans as well as dealer floorplan automotive loans. Continued structural efficiencies in securitizations combined with 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. Additionally, for retail automotive loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset making a very effective funding program. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At March 31, 2012, Ally Bank had exclusive access to \$9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a \$3.9 billion committed facility that is shared with the parent company.

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Nonbank Funding

At March 31, 2012, the parent company maintained cash liquidity in the amount of \$6.8 billion and available liquidity from unused capacity in committed credit facilities of \$14.5 billion, including an equal allocation of shared unused capacity of \$3.8 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. The unused capacity amount at March 31, 2012 also includes \$2.5 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

In the first three months of 2012, we completed a total of \$1.0 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a retail debt program known as SmartNotes. SmartNotes are generally fixed-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 \$8.9 billion and \$9.0 billion of SmartNotes outstanding at March 31, 2012, and December 31, 2011, respectively.

We also obtain 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 \$3.0 billion at March 31, 2012, compared to \$2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At March 31, 2012, we had \$5.0 billion in short-term unsecured debt outstanding, an increase of \$0.5 billion from December 31, 2011. 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 continues to be a significant source of financing at the parent company. In the first quarter, the parent company completed automotive-related transactions that included a \$516 million public term securitization in Canada, the renewal and extension of \$8.3 billion of committed secured funding capacity and the creation of incremental private secured funding capacity totaling \$492 million. We continue to maintain significant funding 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. On March 19, 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At March 31, 2012, the parent company had \$27.5 billion of commitments globally in various facilities secured by automotive assets.

Recent Funding Developments

During the first three months of 2012, we completed funding transactions totaling \$7 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 were as follows:

- In February 2012, we accessed the unsecured debt capital markets for the first time since the first half of 2011 and raised \$1.0 billion.

- In the first three months of 2012, we have continued to access the public asset backed securitization markets completing three U.S. transactions that raised \$4.2 billion and a Canadian transaction that raised \$516 million. Also, in April we completed a fourth U.S. transaction that provided an incremental \$625 million of funding, as well as our first-ever public European dealer floorplan automotive securitization that raised \$646 million.

- We created \$492 million of new private capacity to fund automotive assets as well as \$450 million of private funding capacity for mortgage servicer advances.

-

We renewed and extended \$16.4 billion of key automotive funding facilities and \$508 million of private capacity that funds our Mortgage operations. The automotive facility renewal amount includes the March 2012 refinancing of \$15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate \$7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. After the refinancing, half of the capacity matures in March 2013 and the other half matures in March 2014.

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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 2012 from 2011 levels. In addition, deposits represent a larger portion of the overall funding mix.

(\$ in millions)	Bank	Nonbank	Total	%
March 31, 2012				
Secured financings	\$27,133	\$24,933	\$52,066	35
Institutional term debt	—	23,036	23,036	16
Retail debt programs (a)	—	14,289	14,289	10
Temporary Liquidity Guarantee Program (TLGP)	—	7,400	7,400	5
Bank loans and other	562	2,898	3,460	2
Total debt (b)	27,695	72,556	100,251	68
Deposits (c)	41,521	5,685	47,206	32
Total on-balance sheet funding	\$69,216	\$78,241	\$147,457	100
Off-balance sheet securitizations				
Mortgage loans	\$—	\$58,390	\$58,390	
Total off-balance sheet securitizations	\$—	\$58,390	\$58,390	
December 31, 2011				
Secured financings	\$25,533	\$27,432	\$52,965	37
Institutional term debt	—	22,456	22,456	15
Retail debt programs (a)	—	14,148	14,148	10
Temporary Liquidity Guarantee Program (TLGP)	—	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	\$65,138	\$79,328	\$144,466	100
Off-balance sheet securitizations				
Mortgage loans	\$—	\$60,630	\$60,630	
Total off-balance sheet securitizations	\$—	\$60,630	\$60,630	

(a) Primarily includes \$8.9 billion and \$9.0 billion of Ally SmartNotes at March 31, 2012 and December 31, 2011, respectively.

(b) Excludes fair value adjustment as described in Note 15 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, 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 March 31, 2012.

Funding Facilities

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

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 March 31, 2012, \$32.5 billion of our \$42.9 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2012, we

had \$18.2 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

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Committed Funding Facilities

(\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
Bank funding						
Secured	\$4.7	\$5.8	\$4.8	\$3.7	\$9.5	\$9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	0.5	0.3	0.4	0.5	0.9	0.8
Secured						
Automotive Finance operations (b)	13.9	14.3	13.6	13.2	27.5	27.5
Mortgage operations	0.9	0.7	0.2	0.5	1.1	1.2
Total nonbank funding	15.3	15.3	14.2	14.2	29.5	29.5
Shared capacity (c)	0.1	1.6	3.8	2.5	3.9	4.1
Total committed facilities	\$20.1	\$22.7	\$22.8	\$20.4	\$42.9	\$43.1

(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.

Total unused capacity includes \$4.0 billion as of March 31, 2012, and \$4.9 billion as of December 31, 2011, from (b)certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

(c)Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

(\$ in billions)	Outstanding		Unused capacity		Total capacity	
	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011	Mar. 31, 2012	Dec. 31, 2011
Bank funding						
Secured						
Federal Reserve funding programs	\$—	\$—	\$2.9	\$3.2	\$2.9	\$3.2
FHLB advances	5.0	5.4	0.3	—	5.3	5.4
Repurchase agreements	0.6	—	—	—	0.6	—
Total bank funding	5.6	5.4	3.2	3.2	8.8	8.6
Nonbank funding						
Unsecured						
Automotive Finance operations	2.2	1.9	0.4	0.5	2.6	2.4
Secured						
Automotive Finance operations	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.3	2.0	0.5	0.7	2.8	2.7
Total uncommitted facilities	\$7.9	\$7.4	\$3.7	\$3.9	\$11.6	\$11.3

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At March 31, 2012, 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. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At March 31, 2012, the amount outstanding under this facility was \$3.9 billion. Ally Bank also had access to a \$3.9 billion committed facility that is shared with the parent company. In the event these facilities are not renewed, the outstanding debt will be repaid over time as the underlying

collateral amortizes.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Unsecured

Revolving credit facilities — At March 31, 2012, we maintained \$486 million of commitments in our U.S. unsecured revolving credit

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facility maturing June 2012. We also maintained \$273 million of committed unsecured bank facilities in Canada and \$113 million in Europe. The Canadian facilities expire in June 2012 and the European facilities expire in March 2013.

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a \$7.5 billion revolving syndicated credit facility secured by U.S. and Canadian automotive receivables. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At March 31, 2012, there was no debt outstanding under this facility. Subsequently, in early April, we borrowed \$3.8 billion under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At March 31, 2012, the parent company maintained exclusive access to \$27.5 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$3.9 billion committed facility that is shared with Ally Bank.

Facilities for Mortgage Operations — Secured

At March 31, 2012, we had capacity of \$158 million to fund eligible mortgage servicing rights and capacity of \$925 million to fund mortgage servicer advances.

Cash Flows

Net cash provided by operating activities was \$2.1 billion for the three months ended March 31, 2012, compared to \$3.0 billion for the same period in 2011. During the three months ended March 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by \$1.5 billion. During the three months ended March 31, 2011, this activity resulted in a net cash inflow of \$3.2 billion.

Net cash used in investing activities was \$4.1 billion for the three months ended March 31, 2012, compared to \$3.6 billion for the same period in 2011. The net cash outflow from finance receivables and loans increased \$0.2 billion for the three months ended March 31, 2012, compared to the same period in 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$1.0 billion for the three months ended March 31, 2012, compared to a net cash outflow of \$51 million for the three months ended March 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales and maturities of available-for-sale investment securities, net of purchases, increased \$0.9 billion during the three months ended March 31, 2012, compared to the same period in 2011.

Net cash provided by financing activities for the three months ended March 31, 2012, totaled \$2.1 billion, compared to \$2.2 billion in the same period in 2011. Cash generated from long-term debt issuances exceeded cash used to repay such debt by \$0.7 billion for the three months ended March 31, 2012, compared to \$0.6 billion for the same period in 2011.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any

proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally's capital plan; however, the FRB did provide notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally will submit a revised capital plan in mid-June, as required. It is unknown whether the FRB will accept Ally's revised plan as submitted or require further revisions.

Regulatory Capital

Refer to Note 18 to the Condensed Consolidated Financial Statements.

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Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Stable	February 7, 2011 (b)
S&P	C	B+	Stable	May 4, 2011 (c)
DBRS	R-4	BB-Low	Positive	February 4, 2011 (d)

(a) Fitch placed our senior debt on Rating Watch Negative due to potential negative implications if ResCap were placed into bankruptcy and affirmed the short term rating of B on April 18, 2012.

(b) Moody's upgraded our senior debt rating to B1 from B3, affirmed the short-term rating of Not-Prime, and affirmed the outlook of Stable on February 7, 2011.

(c) Standard & Poor's upgraded our senior debt rating to B+ from B, affirmed the short-term rating of C, and affirmed the outlook of Stable on May 4, 2011.

(d) DBRS affirmed our senior debt rating of BB-Low, affirmed the short-term rating of R-4, and changed the outlook to Positive on February 4, 2011.

Off-balance Sheet Arrangements

Refer to Note 10 to the Condensed Consolidated Financial Statements.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

Overview

Certain mortgage companies (Mortgage Companies) within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically 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, the 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. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. 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. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank

and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010.

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

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The following table summarizes domestic mortgage loans sold with contractual representation and warranty obligations by the type of investor (original unpaid principal balance).

(\$ in billions)	Three months	Year ended December 31,							
	ended March 31, 2012	2011	2010	2009	2008	2007	2006	2005	2004
GSEs									
Fannie Mae	\$5.7	\$33.9	\$35.3	\$21.2	\$24.9	\$31.6	\$33.5	\$31.8	\$30.5
Freddie Mac	2.5	15.8	15.7	8.7	12.3	15.5	12.6	16.1	13.7
Ginnie Mae	1.9	8.1	16.2	24.9	12.5	3.2	3.6	4.2	4.8
Private-label securitizations									
Insured (monolines)	—	—	—	—	—	6.5	10.7	10.4	15.1
Uninsured	—	—	0.3	—	—	29.1	63.6	53.5	35.9
Whole-loan/other	0.1	0.4	1.6	0.1	2.2	8.2	23.9	17.4	10.9
Total sales	\$10.2	\$58.2	\$69.1	\$54.9	\$51.9	\$94.1	\$147.9	\$133.4	\$110.9

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

During the three months ended March 31, 2012, we experienced an increase in new claims compared to the same period in 2011, primarily due to an increase in repurchase requests relating to uninsured PLS. The following table presents new claims by vintage (original unpaid principal balance).

(\$ in millions)	Three months ended March 31,	
	2012	2011 (a)
2004 and prior period	\$17	\$7
2005	21	7
2006	95	15
2007	41	24
2008	44	25
Post 2008	35	53
Unspecified	—	2
Total claims	\$253	\$133

(a) Excludes certain populations where counterparties have requested additional documentation.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

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The following table summarizes the unpaid principal balance on mortgage loans repurchased in connection with our representation and warranty obligations.

(\$ in millions)	Three months ended March 31,	
	2012	2011
GSEs	\$19	\$43
Private-label securitizations		
Insured (monolines)	4	—
Uninsured	—	—
Whole-loan/other	3	5
Total loan repurchases	\$26	\$48

The following table summarizes indemnification payments made in connection with our representation and warranty obligations.

(\$ in millions)	Three months ended March 31,	
	2012	2011
GSEs	\$21	\$15
Private-label securitizations		
Insured (monolines)	—	2
Uninsured	—	—
Whole-loan/other	6	—
Total indemnification payments	\$27	\$17

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

(\$ in millions)	March 31, 2012		December 31, 2011 (a)	
	Number of loans	Original UPB of loans	Number of loans	Original UPB of loans
GSEs	457	\$89	357	\$71
Insured PLS (monolines)				
MBIA	7,314	491	7,314	490
FGIC	4,826	382	4,608	369
Other	937	70	730	58
Uninsured PLS	294	78	38	7
Whole-loan/other	561	85	475	74
Total number of loans and unpaid principal balance	14,389	\$1,195	13,522	\$1,069

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor

behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

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At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at March 31, 2012, relates primarily to non-GSE exposure.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold \$250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to \$128 million of original unpaid principal balance of which \$93 million are associated with the 2004 through 2008 vintages. The remaining \$35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012, the applicable Mortgage Companies resolved claims with respect to \$110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to \$60 million of original unpaid principal balance, and rescinded claims related to \$50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label mortgage-backed securities (MBS) in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was \$10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was \$5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was \$2 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) "non-loan-level" representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and 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. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac's private-label securities investments. Refer to the Legal Proceedings described in Note 24 to the Condensed Consolidated Financial Statements for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was \$24.4 billion. For the three months ended March 31, 2012, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was \$14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was \$10 million. These other specified categories include, among

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others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our GSE exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (\$ in millions)	2012	2011 (a)
Balance at January 1,	\$71	\$170
New claims	128	102
Resolved claims (b)	(60	) (133
Rescinded claims/other	(50	) (41
Balance at March 31,	\$89	\$98

(a) Excludes certain populations where counterparties have requested additional documentation.

(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar

contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured Private-label Securitizations (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold \$42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012, the Mortgage Companies received repurchase claims related to \$28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to \$2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely. Refer to Note 24 to the Condensed Consolidated Financial Statements for information with respect to pending litigation.

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The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our monoline exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (\$ in millions)	2012	2011 (a)
Balance at January 1,	\$917	\$661
New claims	28	14
Resolved claims (b)	(2	) (8
Rescinded claims/other	—	—
Balance at March 31,	\$943	\$667

(a) Excludes certain populations where counterparties have requested additional documentation.

(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

The following table summarizes the original unpaid principal balance of our domestic insured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

(\$ in billions)	Original UPB	Current UPB at March 31, 2012	UPB at December 31, 2011
RFMSI (Prime)	\$1.7	\$0.5	\$0.5
RALI (Option ARM and Alt-A)	1.4	0.6	0.6
RAMP (HELOC and Subprime)	26.5	6.0	6.3
RASC (Subprime)	3.6	0.6	0.6
RFMSII (HELOC)	9.5	2.0	2.1
Total	\$42.7	\$9.7	\$10.1

Uninsured Private-label Securitizations

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold \$182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to \$70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our uninsured PLS exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (\$ in millions)	2012	2011 (a)
Balance at January 1,	\$8	\$3
New claims	75	3
Resolved claims (b)	(4) —
Rescinded claims/other	(1) —
Balance at March 31,	\$78	\$6

(a) Excludes certain populations where counterparties have requested additional documentation.

- (b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

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Historically, our Mortgage operations were very active in the securitization market, selling whole loans into special-purpose entities and selling these private-label MBS to investors. The following table summarizes the original unpaid principal balance of our domestic uninsured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

(\$ in billions)	Original UPB	Current UPB at March 31, 2012	UPB at December 31, 2011
RFMSI (Prime)	\$21.8	\$7.9	\$8.3
RALI (Option ARM and Alt-A)	66.7	25.4	26.2
RAMP (HELOC and Subprime)	55.9	(a) 12.5	12.9
RASC (Subprime)	36.8	7.8	8.0
RFMSII (HELOC)	0.9	0.2	0.3
Total	\$182.1	\$53.8	\$55.7

(a) RAMP original unpaid principal balance comprises \$37.7 billion subprime, \$8.8 billion prime, and \$9.4 billion other.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received \$22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to \$10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our whole-loan sales exposure.

Three months ended March 31, (\$ in millions)	2012	2011 (a)
Balance at January 1,	\$73	\$85
New claims	22	13
Resolved claims (b)	(6	) (7
Rescinded claims/other	(4	) (24
Balance at March 31,	\$85	\$67

(a) Excludes certain populations where counterparties have requested additional documentation.

(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance, they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately \$173 million in original unpaid principal balance of outstanding mortgage

insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Private-label Mortgage-backed Securities Litigation, Repurchase Obligations, and Related Claims

We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters described in Note 24 to the Condensed Consolidated Financial Statements and potential repurchase obligations and related claims with respect to our Mortgage Companies discussed 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.

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Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

• Fair value measurements

• Allowance for loan losses

• Valuation of automobile lease assets and residuals

• Valuation of mortgage servicing rights

• Goodwill

• Determination of reserves for insurance losses and loss adjustment expenses

• Legal and regulatory reserves

• Loan repurchase and obligations related to loan sales

• Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, Income Taxes, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2011 Annual Report on Form 10-K. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2011 Annual Report on Form 10-K.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 21 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 21 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

(\$ in millions)	March 31, 2012	December 31, 2011		
Assets at fair value	\$26,568	\$30,172		
As a percentage of total assets	14	% 16		%
Liabilities at fair value	\$5,092	\$6,299		
As a percentage of total liabilities	3	% 4		%
Assets at fair value using Level 3 inputs	\$4,570	\$4,666		
As a percentage of assets at fair value	17	% 15		%
Liabilities at fair value using Level 3 inputs	\$875	\$878		
As a percentage of liabilities at fair value	17	% 14		%

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array

of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input

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recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

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Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

Three months ended March 31, (\$ in millions)	2012			2011			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/Rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 10,641	\$ 14	0.53 %	\$ 13,041	\$ 12	0.37 %	\$(2)	\$ 4	\$ 2
Trading assets	990	11	4.47	318	3	3.83	7	1	8
Investment securities (c)	13,704	79	2.32	14,591	98	2.72	(6)	(13)	(19)
Loans held-for-sale, net	7,754	73	3.79	8,877	84	3.84	(11)	—	(11)
Finance receivables and loans, net (d)	117,482	1,678	5.74	104,385	1,621	6.30	193	(136)	57
Investment in operating leases, net (e)	9,649	247	10.30	8,947	385	17.45	28	(166)	(138)
Total interest-earning assets	160,220	2,102	5.28	150,159	2,203	5.95	209	(310)	(101)
Noninterest-bearing cash and cash equivalents	2,004			1,032					
Other assets	23,796			24,898					
Allowance for loan losses	(1,528)			(1,864)					
Total assets	\$ 184,492			\$ 174,225					
Liabilities									
Interest-bearing deposit liabilities	\$ 44,796	\$ 186	1.67 %	\$ 38,156	\$ 166	1.76 %	\$ 28	\$ (8)	\$ 20
Short-term borrowings	6,905	75	4.37	7,107	92	5.25	(3)	(14)	(17)
Long-term debt (f) (g) (h)	91,558	1,177	5.17	87,060	1,406	6.55	70	(299)	(229)
Total interest-bearing liabilities (f) (g) (i)	143,259	1,438	4.04	132,323	1,664	5.10	95	(321)	(226)
Noninterest-bearing deposit liabilities	2,141			2,017					
Total funding sources (g) (j)	145,400	1,438	3.98	134,340	1,664	5.02			
Other liabilities	19,612			19,473					
Total liabilities	165,012			153,813					
Total equity	19,480			20,412					
Total liabilities and equity	\$ 184,492			\$ 174,225					
Net financing revenue		\$ 664			\$ 539		\$ 114	\$ 11	\$ 125
Net interest spread (k)			1.24 %			0.85 %			
Net interest spread excluding original issue discount (k)			1.60			1.86			

Net interest spread excluding original issue discount and including noninterest bearing deposit liabilities (k)	1.65	1.92
Net yield on interest-earning assets (l)	1.67	1.46
Net yield on interest-earning assets excluding original issue discount (l)	1.94	2.26

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of \$5 million during the three months ended March 31, 2012 and 2011, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

(e) Includes gains on sale of \$54 million and \$120 million during the three months ended March 31, 2012 and 2011, respectively. Excluding these gains on sale, the annualized yield would be 8.04% and 12.01% at March 31, 2012 and 2011, respectively.

(f) Includes the effects of derivative financial instruments designated as hedges.

(g) Average balance includes \$2,062 million and \$3,000 million related to original issue discount at March 31, 2012 and 2011, respectively. Interest expense includes original issue discount amortization of \$108 million and \$299 million during the three months ended March 31, 2012 and 2011, respectively.

(h) Excluding original issue discount the rate on long-term debt was 4.59% and 4.99% at March 31, 2012 and 2011, respectively.

(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.68% and 4.09% at March 31, 2012 and 2011, respectively.

(j) Excluding original issue discount the rate on total funding sources was 3.63% and 4.03% at March 31, 2012 and 2011, respectively.

(k) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

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Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorit," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative words or similar expressions is 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.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors (GM), and Ally and Chrysler; the profitability and financial condition of GM and Chrysler; securing low-cost funding for us and Residential Capital, LLC (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; 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).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

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Quantitative and Qualitative Disclosures about Market Risk
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Item 3. Quantitative and Qualitative Disclosures about Market Risk
Refer to the Market Risk section of Item 2, Management's Discussion and Analysis.

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Controls and Procedures

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Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

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PART II — OTHER INFORMATION

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Item 1. Legal Proceedings

Refer to Note 24 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 31 to our 2011 Annual Report on Form 10-K.

Item 1A. Risk Factors

Other than with respect to the risk factor provided below, there have been no material changes to the Risk Factors described in our 2011 Annual Report on Form 10-K.

Risks Related to Our Business

There is substantial doubt about ResCap's ability to continue as a going concern, and ResCap is actively considering reorganization under bankruptcy laws.

ResCap may not be able to meet its debt service obligations. ResCap did not make a \$20 million semi-annual interest payment that was due on April 17, 2012, related to \$473 million of unsecured debt principal, which matures in 2013.

Further, ResCap was in default on certain of its financial covenants as of December 31, 2011, due to insufficient equity levels, and it is possible that further defaults could occur in the future due to insufficient capital or liquidity.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support. While Ally has agreed to extend the maturity date for certain existing intercompany facilities on a short-term basis until May 14, 2012, there can be no assurance that Ally or its affiliates will continue any such support or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful.

ResCap is actively considering reorganization under bankruptcy laws. If this were to occur, we could incur significant charges, substantial litigation could result, and repayment of our credit exposure to ResCap could be at risk. We currently estimate a range of reasonably possible losses arising at the time of a ResCap bankruptcy filing, including our investment in ResCap, to be between \$400 million and \$1.25 billion. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 27th day of April, 2012.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN
Jeffrey J. Brown
Senior Executive Vice President of
Finance and Corporate Planning

/s/ DAVID J. DEBRUNNER
David J. DeBrunner
Vice President, Chief Accounting Officer, and
Corporate Controller

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INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10	Consent Judgment, dated March 12, 2012	Filed Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 14, 2012 (File No. 1-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.
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