Ally Financial Inc.
Form 10-Q
November 02, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 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 þ No ¨

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

At November 2, 2012, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

Table of Contents
INDEX
Ally Financial Inc. Form 10-Q

Table of ContentsPART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

4

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,651	$1,680	$5,020	$4,976
Interest on loans held-for-sale	22	86	131	256
Interest on trading assets	—	4	13	10
Interest and dividends on available-for-sale investment securities	73	102	243	311
Interest-bearing cash	22	14	54	41
Operating leases	639	530	1,758	1,783
Total financing revenue and other interest income	2,407	2,416	7,219	7,377
Interest expense				
Interest on deposits	185	179	555	516
Interest on short-term borrowings	46	61	181	240
Interest on long-term debt	1,041	1,293	3,286	4,030
Total interest expense	1,272	1,533	4,022	4,786
Depreciation expense on operating lease assets	358	276	969	722
Net financing revenue	777	607	2,228	1,869
Other revenue				
Servicing fees	91	335	617	1,033
Servicing asset valuation and hedge activities, net	134	(471)	70	(663)
Total servicing income, net	225	(136)	687	370
Insurance premiums and service revenue earned	364	390	1,098	1,188
Gain on mortgage and automotive loans, net	141	95	401	301
Loss on extinguishment of debt	—	—	—	(64)
Other (loss) gain on investments, net	(19)	75	137	251
Other income, net of losses	225	130	728	573
Total other revenue	936	554	3,051	2,619
Total net revenue	1,713	1,161	5,279	4,488
Provision for loan losses	116	50	285	213
Noninterest expense				
Compensation and benefits expense	344	293	1,208	1,132
Insurance losses and loss adjustment expenses	151	170	518	567
Other operating expenses	619	754	3,268	2,392
Total noninterest expense	1,114	1,217	4,994	4,091
Income (loss) from continuing operations before income tax expense	483	(106)	—	184
Income tax expense from continuing operations	93	93	172	106
Net income (loss) from continuing operations	390	(199)	(172)	78
Loss from discontinued operations, net of tax	(6)	(11)	(32)	(29)
Net income (loss)	384	(210)	(204)	49
Other comprehensive income (loss), net of tax	218	(281)	199	(217)
Comprehensive income (loss)	$602	$(491)	$(5)	$(168)

Statement continues on the next page.
The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

3

Table of Contents

Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

	Three months ended September 30,		Nine months ended September 30,	
($ in millions except per share data)	2012	2011	2012	2011
Net income (loss) attributable to common shareholders				
Net income (loss) from continuing operations	$390	$(199)	$(172)	$78
Preferred stock dividends — U.S. Department of Treasury	(134)	(133)	(401)	(400)
Preferred stock dividends	(67)	(66)	(200)	(194)
Impact of preferred stock amendment (a)	—	—	—	32
Net income (loss) from continuing operations attributable to common shareholders (b)	189	(398)	(773)	(484)
Loss from discontinued operations, net of tax	(6)	(11)	(32)	(29)
Net income (loss) attributable to common shareholders	$183	$(409)	$(805)	$(513)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net income (loss) from continuing operations	$142	$(299)	$(581)	$(364)
Loss from discontinued operations, net of tax	(5)	(8)	(24)	(22)
Net income (loss)	$137	$(307)	$(605)	$(386)
Diluted earnings per common share (b)				
Net income (loss) from continuing operations	$142	$(299)	$(581)	$(364)
Loss from discontinued operations, net of tax	(5)	(8)	(24)	(22)
Net income (loss)	$137	$(307)	$(605)	$(386)

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

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the nine months ended September 30, 2012, and the three months and nine months ended September 30, 2011, respectively, 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.

Table of Contents
Condensed Consolidated Balance Sheet (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions)	September 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,305	$2,475
Interest-bearing	15,852	10,560
Total cash and cash equivalents	17,157	13,035
Trading assets	—	622
Investment securities	13,770	15,135
Loans held-for-sale, net ($1,927 and $3,919 fair value-elected)	1,937	8,557
Finance receivables and loans, net		
Finance receivables and loans, net ($— and $835 fair value-elected)	121,259	114,755
Allowance for loan losses	(1,423)	(1,503)
Total finance receivables and loans, net	119,836	113,252
Investment in operating leases, net	12,708	9,275
Mortgage servicing rights	902	2,519
Premiums receivable and other insurance assets	1,861	1,853
Other assets	13,936	18,741
Assets of operations held-for-sale	375	1,070
Total assets	$182,482	$184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	$2,487	$2,029
Interest-bearing	47,385	43,021
Total deposit liabilities	49,872	45,050
Short-term borrowings	5,877	7,680
Long-term debt ($— and $830 fair value-elected)	93,028	92,794
Interest payable	1,590	1,587
Unearned insurance premiums and service revenue	2,693	2,576
Reserves for insurance losses and loss adjustment expenses	441	580
Accrued expenses and other liabilities ($— and $29 fair value-elected)	9,962	14,084
Liabilities of operations held-for-sale	254	337
Total liabilities	163,717	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	(8,129)	(7,324)
Accumulated other comprehensive income	286	87
Total equity	18,765	19,371
Total liabilities and equity	$182,482	$184,059

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

Table of Contents

The assets of consolidated variable interest entities, presented based upon the legal transfer of the underlying assets in order to reflect legal ownership, 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)	September 30, 2012	December 31, 2011
Assets		
Loans held-for-sale, net	$—	$9
Finance receivables and loans, net		
Finance receivables and loans, net ($— and $835 fair value-elected)	40,822	40,935
Allowance for loan losses	(192)	(210)
Total finance receivables and loans, net	40,630	40,725
Investment in operating leases, net	5,835	4,389
Other assets	2,063	3,029
Total assets	$48,528	$48,152
Liabilities		
Short-term borrowings	$1,483	$795
Long-term debt ($— and $830 fair value-elected)	34,665	33,143
Interest payable	7	14
Accrued expenses and other liabilities	119	405
Total liabilities	$36,274	$34,357

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

Table of Contents
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				49		49
Preferred stock dividends — U.S. Department of Treasury				(400)		(400)
Preferred stock dividends				(194)		(194)
Series A preferred stock amendment (a)			(32)	32		—
Other comprehensive loss, net of tax					(217)	(217)
Other (b)				5		5
Balance at September 30, 2011	$19,668	$5,685	$1,255	$(6,918)	$42	$19,732
Balance at January 1, 2012	$19,668	$5,685	$1,255	$(7,324)	$87	$19,371
Net loss				(204)		(204)
Preferred stock dividends — U.S. Department of Treasury				(401)		(401)
Preferred stock dividends				(200)		(200)
Other comprehensive income, net of tax					199	199
Balance at September 30, 2012	$19,668	$5,685	$1,255	$(8,129)	$286	$18,765

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

(b) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009 through June 30, 2009.

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

Table of Contents

Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Nine months ended September 30, ($ in millions)	2012	2011
Operating activities		
Net (loss) income	$(204)	$49
Reconciliation of net (loss) income to net cash provided by operating activities		
Depreciation and amortization	1,758	2,100
Other impairment	31	8
Changes in fair value of mortgage servicing rights	654	1,327
Provision for loan losses	285	211
Gain on sale of loans, net	(396)	(299)
Net gain on investment securities	(144)	(275)
Loss on extinguishment of debt	—	64
Originations and purchases of loans held-for-sale	(23,670)	(42,467)
Proceeds from sales and repayments of loans held-for-sale	25,295	44,417
Impairment and accruals related to Residential Capital, LLC deconsolidation	1,192	—
Net change in		
Trading securities	595	(339)
Deferred income taxes	(199)	(99)
Interest payable	168	(99)
Other assets	475	(324)
Other liabilities	(761)	1,374
Other, net	(234)	133
Net cash provided by operating activities	4,845	5,781
Investing activities		
Purchases of available-for-sale securities	(9,592)	(15,020)
Proceeds from sales of available-for-sale securities	6,774	12,093
Proceeds from maturities of available-for-sale securities	4,940	3,725
Net increase in finance receivables and loans	(7,925)	(10,705)
Proceeds from sales of finance receivables and loans	2,329	2,868
Purchases of operating lease assets	(5,612)	(5,332)
Disposals of operating lease assets	1,303	4,862
Proceeds from sale of business units, net (a)	516	50
Net cash effect from deconsolidation of Residential Capital, LLC	(539)	—
Other, net	75	633
Net cash used in investing activities	(7,731)	(6,826)

Statement continues on the next page.

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

Table of Contents
Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Nine months ended September 30, ($ in millions)	2012	2011
Financing activities		
Net change in short-term borrowings	(1,673)	(1,263)
Net increase in bank deposits	4,673	4,454
Proceeds from issuance of long-term debt	27,520	36,900
Repayments of long-term debt	(22,908)	(34,576)
Dividends paid	(601)	(619)
Other, net	(26)	962
Net cash provided by financing activities	6,985	5,858
Effect of exchange-rate changes on cash and cash equivalents	(1)	(45)
Net increase in cash and cash equivalents	4,098	4,768
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	24	(36)
Cash and cash equivalents at beginning of year	13,035	11,670
Cash and cash equivalents at September 30,	$17,157	$16,402
Supplemental disclosures		
Cash paid for		
Interest	$3,705	$4,303
Income taxes	291	454
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	116	179

(a) The amounts are net of cash and cash equivalents of $147 million at September 30, 2012, and $88 million at September 30, 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.

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 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 September 30, 2012, and for the three months and nine months ended September 30, 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), as amended by the Current Report on Form 8-K filed with the SEC on August 3, 2012.

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) (collectively, AFI) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan).

In connection with the Plan, the Debtors expect to sell certain of their assets, consisting of the Debtors' mortgage origination and servicing business and certain other mortgage-related assets, under section 363 of the Bankruptcy Code. The Bankruptcy Court entered an order on June 28, 2012, approving Nationstar Mortgage LLC as stalking horse bidder for the Debtors' mortgage origination and servicing platform (the Platform), and Berkshire Hathaway Inc. as stalking horse bidder for the Debtors' held-for-sale loan portfolio (the Loan Portfolio). The bid provided by Berkshire Hathaway Inc. supplanted the stalking horse bid provided by AFI that is described below. On October 19, 2012, the Debtors collected bids from qualified bidders for the Platform and the Loan Portfolio. On October 24, 2012, following a competitive auction for the Platform, the Debtors determined that the bid submitted by Ocwen Loan Servicing LLC was the highest and best bid for the Platform. On October 25, 2012, following a competitive auction for the Loan Portfolio, the Debtors determined that the bid submitted by Berkshire Hathaway Inc. was the highest and best bid for the Loan Portfolio. The hearing for the Bankruptcy Court to approve the sales of the Platform and the Loan Portfolio is currently set for November 19, 2012. The Debtors' remaining assets are expected to be sold, wound down, or otherwise liquidated over time.

The Plan, a draft of which has been submitted to the Bankruptcy Court, is subject to negotiation with certain of the Debtors' creditors (as directed by the Bankruptcy Court) and Bankruptcy Court approval. The Debtors' exclusive period under the Bankruptcy Code to file the Plan, which may be extended by the Bankruptcy Court, ends on December 20, 2012. The Plan is based on a settlement (the Settlement) between AFI and the Debtors under which, in exchange for the releases described below, AFI, among other things: (a) agreed to serve as the stalking horse bidder for the Debtors' held-for-sale loan portfolio, with a purchase price of approximately $1.6 billion (which, as noted above, was supplanted by Berkshire Hathaway Inc. pursuant to an order entered by the Bankruptcy Court on June 28, 2012); (b) will make a cash contribution to the Debtors' estates of $750 million that will enable certain recoveries to creditors of the Debtors' estates under the Plan; (c) provided the Debtors with a $220 million post-petition debtor-in-possession financing facility; (d) consented to the Debtors' use of cash collateral pledged to Ally-funded, pre-petition senior secured credit facilities; (e) agreed to enter into and perform a shared services agreement with the Debtors to enable the Debtors to continue to operate their businesses during their bankruptcy cases; (f) agreed to enter into and perform a transition services agreement with the purchaser of the Debtors' mortgage origination and servicing business to facilitate the sale of such assets; (g) continues to provide the Debtors with consumer lending origination support during their bankruptcy cases, including to allow implementation of the aforementioned asset sales; (h) provides the support necessary for the Debtors to satisfy certain regulatory obligations; and (i) agreed to provide indemnification of ResCap's current directors and officers.

The Settlement, which is subject to Bankruptcy Court approval, provides for the release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties. The Debtors have failed to satisfy certain milestone requirements in the Plan support agreement with AFI (the Plan Support Agreement), including the Bankruptcy Court's entry of the Confirmation Order on or before October 31, 2012, which relieves AFI of its obligations to perform under the Plan Support Agreement. Notwithstanding this, to date, AFI has continued to comply with the Plan Support Agreement. Pursuant to the terms of the Settlement, the failure to meet the October 31 milestone results in the Settlement's automatic termination. However, AFI and the Debtors have agreed to temporarily waive the automatic termination, but, each of AFI and the Debtors have preserved the right to rescind such waiver at any point in the future. The waiver will terminate on December 31, 2012 unless AFI and the Debtors otherwise agree in writing.

As of the Petition Date, ResCap had support for the Plan from the ad hoc steering committee representing ResCap's junior secured notes (Ad Hoc Committee) and, certain other noteholders together holding $791 million out of a total of approximately $2.1 billion of these notes. The Debtors have failed to satisfy certain milestone requirements in the Plan support agreement with the Ad Hoc Committee (Ad Hoc Committee PSA); and, on September 24, 2012, the official committee of unsecured creditors (the Committee) appointed in the Debtors' bankruptcy cases filed a motion seeking standing to challenge the validity of the liens on certain assets securing the junior secured notes, which are the liens that secure certain of AFI's loans to ResCap. On or about September 25, 2012, the junior secured noteholders terminated the Ad Hoc Committee PSA.

Additionally, institutional investors in residential mortgage-backed securities issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to support the Plan as of the Petition Date. To date, institutional investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to support the Plan. These 336 securitizations have an aggregate original principal balance of approximately $189 billion (out of a total of 392 outstanding securitizations with an original principal balance of $221 billion). The settlements reached are subject to Bankruptcy Court approval. AFI anticipates the hearing for approval of the settlements to occur in early 2013. The Committee and certain other parties are presently engaged in discovery with respect to the settlements, including AFI's role, and are expected to contest the settlements at the hearing for the settlements' approval.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors propose to release under the Plan, including under the Settlement. On June 18, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner. On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the examiner's investigation. The investigation will include, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors propose to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. As of September 30, 2012, the examiner's preliminary estimate regarding the time necessary for the examiner to complete his investigation and related report was at least six months from approximately August 6, 2012. Counsel to the examiner recently informed parties in interest that it would be requesting from the Bankruptcy Court an extended target date for issuance of the examiner’s report based upon completion of document production and witness interviews, rather than an approximation date. The examiner’s request may result in a delay for issuing the examiner’s report. The Bankruptcy Court is scheduled to hold a conference on November 5, 2012 to address the examiner’s request.

As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements and ResCap is prospectively accounted for using the cost method. Furthermore, circumstances indicated to us that as of May 14, 2012, our investment in ResCap would not be recoverable, and accordingly we recorded a full impairment of such investment. ResCap's results of operations have been removed from our Condensed Consolidated Financial Statements since May 14, 2012. As of September 30, 2012, ResCap does not meet the requirements of a discontinued operation; and as such, ResCap's results of operations continue to be included in our Condensed Consolidated Statement of Comprehensive Income for periods prior to May 14, 2012. Our Condensed Consolidated

Statements of Comprehensive Income include the following for ResCap's results of operations (amounts presented are before the elimination of balances and transactions with Ally).

($ in millions)	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Total net (loss) revenue	$—	$(164)	$476	$412
Provision for loan losses	—	1	—	8
Total noninterest expense	—	273	437	905
(Loss) income from continuing operations before income tax expense	—	(438)	39	(501)
Income tax expense from continuing operations	—	4	7	13
Net (loss) income from continuing operations	$—	$(442)	$32	$(514)

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of $1.2 billion during the nine months ended September 30, 2012, within our other operating expenses. This charge primarily consists of the impairment of Ally's $442 million equity investment in ResCap and the $750 million cash contribution to be made by us to the Debtors' estate described above. As of September 30, 2012, we have $1.2 billion of financing due from

ResCap, which is classified as Finance Receivables and Loans, net on our Condensed Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At September 30, 2012, our hedging arrangements with ResCap were fully collateralized. Additionally, under a shared services agreement (SSA), each entity agreed to provide services to the other for a period of one year. The SSA will automatically renew each year unless either entity provides written notice of nonrenewal to the other party at least three months prior to the expiration. The SSA fees received by Ally and the expenses paid to the ResCap will be reflected within the Condensed Consolidated Statement of Comprehensive Income as a reduction or increase of noninterest expense. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 25 to the Condensed Consolidated Financial Statements for additional information regarding these bankruptcy proceedings.

International Businesses

In the second quarter of 2012, we began exploring strategic alternatives for our international operations. These international operations include automotive finance, insurance, and banking and deposit operations outside of the United States. Since then, we have conducted multiple processes for various parts of our international operations, and have received interest from a number of potential purchasers. As part of this initiative, on October 18, 2012 we announced that we reached an agreement to sell our Mexican insurance business, ABA Seguros, to the ACE Group. Further, on October 23, 2012, we announced that we reached an agreement to sell our Canadian auto finance operation, Ally Credit Canada Limited, and ResMor Trust to Royal Bank of Canada. Refer to Note 26 for further information. We expect to continue to explore strategic alternatives for our remaining international operations. However, we can provide no assurances that we will enter into strategic transactions with respect to all or any portion of the balance of our international operations.

Ally Bank Mortgage Servicing Rights Portfolio and Business Lending Operations

On October 26, 2012, Ally Bank announced that it has begun to explore strategic alternatives for its agency mortgage servicing rights (MSR) portfolio and its business lending operations. Ally Bank expects to continue originating a modest level of high-quality residential jumbo mortgages for its own portfolio through correspondents and wholesale brokers.

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 International Financial Reporting Standards (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 operations.

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 operations.

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 have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust.

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. 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. 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.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Select Mortgage operations				
Total net (loss) revenue	$—	$(8)	$8	$(5)
Pretax loss including direct costs to transact a sale	—	(14)	(10)	(25)
Tax benefit	(7)	(4)	(7)	(7)
Select Global Automotive Services — Insurance operations				
Total net revenue	$38	$35	$110	$201
Pretax (loss) income including direct costs to transact a sale	(12)	3	(36)	21
Tax expense	—	1	3	3
Select Global Automotive Services — International operations				
Total net revenue	$1	$7	$9	$50
Pretax (loss) income including direct costs to transact a sale (a)	(4)	(5)	11	(30)
Tax (benefit) expense	(3)	(2)	1	(1)

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

Held-for-sale Operations

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

September 30, 2012 ($ in millions)	Select Global Automotive Services –Insurance operations (a)	Select Global Automotive Services – International operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	$4	$28	$32
Interest-bearing	87	8	95
Total cash and cash equivalents	91	36	127
Investment securities	182	—	182
Finance receivables and loans, net	—	2	2
Investment in operating leases, net	—	25	25
Premiums receivable and other insurance assets	79	—	79
Other assets	20	11	31
Impairment on assets of held-for-sale operations	(51)	(20)	(71)
Total assets	$321	$54	$375
Liabilities			
Unearned insurance premiums and service revenue	$137	$—	$137
Reserves for insurance losses and loss adjustment expenses	14	—	14
Accrued expenses and other liabilities	97	6	103
Total liabilities	$248	$6	$254

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.
(b) Includes our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

December 31, 2011 ($ in millions)	Select Mortgage 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.

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 22 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.

	Recurring fair value measurements			
($ in millions)	Level 1	Level 2	Level 3	Total
September 30, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	$182	$—	$—	$182
Total assets	$182	$—	$—	$182
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.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Mortgage processing fees and other mortgage income	$105	$53	$342	$141
Late charges and other administrative fees	33	30	96	86
Income from equity-method investments	22	21	69	63
Remarketing fees	16	24	54	92
Securitization income	10	18	33	169
Fair value adjustment on derivatives (a)	(3)	(55)	(35)	(134)
Change due to fair value option elections (b)	—	(44)	(19)	(83)
Other, net	42	83	188	239
Total other income, net of losses	$225	$130	$728	$573

(a) Refer to Note 20 for a description of derivative instruments and hedging activities.
(b) Refer to Note 22 for a description of fair value option elections.

Table of Contents

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Insurance commissions	$106	$116	$325	$350
Lease and loan administration	94	47	204	136
Technology and communications	86	127	321	361
Professional services	69	83	278	226
Advertising and marketing	38	46	114	141
Regulatory and licensing fees	33	32	101	102
Mortgage representation and warranty obligation, net	30	70	67	280
Premises and equipment depreciation	24	24	73	73
Vehicle remarketing and repossession	20	32	65	104
State and local non-income taxes	23	29	52	95
Occupancy	17	25	62	69
Impairment and accruals related to ResCap deconsolidation	—	—	1,192 (a)	—
Other	79	123	414	455
Total other operating expenses	$619	$754	$3,268	$2,392

(a) This charge consists of the $442 million total impairment of our investment in ResCap and a $750 million cash contribution to be made by us to the Debtors' estate. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge.

5. Trading Assets

The composition of trading assets was as follows.

($ in millions)	September 30, 2012	December 31, 2011
Mortgage-backed residential trading securities	$—	$608
Trading derivatives	—	14
Total trading assets	$—	$622

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.

	September 30, 2012				December 31, 2011			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,354	$4	$—	$1,358	$1,535	$13	$(2)	$1,546
U.S. states and political subdivisions	—	—	—	—	1	—	—	1
Foreign government	803	17	—	820	765	20	(1)	784
Mortgage-backed residential (a)	6,269	114	(9)	6,374	7,266	87	(41)	7,312
Asset-backed	2,365	47	(1)	2,411	2,600	28	(13)	2,615
Corporate debt	1,349	59	(4)	1,404	1,486	23	(18)	1,491
Other	333	—	—	333	326	1	—	327
Total debt securities	12,473	241	(14)	12,700	13,979	172	(75)	14,076
Equity securities	1,114	28	(72)	1,070	1,188	25	(154)	1,059
Total available-for-sale securities (b)	$13,587	$269	$(86)	$13,770	$15,167	$197	$(229)	$15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling $4,580 million and $6,114 million at September 30, 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 $15 million and $16 million at September 30, 2012, and December 31, 2011, respectively.

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

	Total			Due in one year or less			Due after one year through five years			Due after five years through ten years			Due after ten years (a)		
($ in millions)	Amount	Yield		Amount	Yield		Amount	Yield		Amount	Yield		Amount	Yield	
September 30, 2012															
Fair value of available-for-sale debt securities (b)															
U.S. Treasury and federal agencies	$1,358	0.5	%	$428	—	%	$731	0.7	%	$199	1.1	%	$—	—	%
Foreign government	820	3.6		134	3.9		433	3.8		249	3.1		4	6.3	
Mortgage-backed residential	6,374	2.7		—	—		4	5.3		182	2.3		6,188	2.7	
Asset-backed	2,411	2.2		5	3.9		1,583	2.1		486	2.0		337	3.2	
Corporate debt	1,404	5.2		18	3.9		637	4.2		621	6.2		128	5.7	
Other	333	1.4		332	1.4		—	—		1	4.4		—	—	
Total available-for-sale debt securities	$12,700	2.6		$917	1.2		$3,388	2.3		$1,738	3.3		$6,657	2.7	
Amortized cost of available-for-sale debt securities	$12,473			$916			$3,339			$1,682			$6,536		
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	%	$—	—	%
U.S. 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) 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 $7.3 billion and $5.6 billion at September 30, 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 and other-than-temporary impairment.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Gross realized gains	$55	$90	$224	$288
Gross realized losses	(18)	(15)	(31)	(37)
Other-than-temporary impairment	(56)	—	(56)	—
Net realized (losses) gains	$(19)	$75	$137	$251

19

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Taxable interest	$67	$96	$225	$294
Taxable dividends	6	6	18	17
Interest and dividends on available-for-sale securities	$73	$102	$243	$311

Certain available for sale securities were sold at a loss in 2012 and 2011 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of September 30, 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 September 30, 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 September 30, 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.

	September 30, 2012				December 31, 2011			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$22	$—	$—	$—	$179	$(2)	$—	$—
Foreign government	129	—	—	—	197	(1)	—	—
Mortgage-backed residential	650	(7)	86	(2)	2,302	(39)	45	(2)
Asset-backed	130	(1)	1	—	994	(13)	1	—
Corporate debt	101	(2)	19	(2)	444	(16)	30	(2)
Total temporarily impaired debt securities	1,032	(10)	106	(4)	4,116	(71)	76	(4)
Temporarily impaired equity securities	299	(26)	303	(46)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	$1,331	$(36)	$409	$(50)	$4,886	$(219)	$94	$(10)

7. Loans Held-for-Sale, Net

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

	September 30, 2012			December 31, 2011		
($ in millions)	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	$—	$—	$—	$425	$—	$425
Consumer mortgage						
1st Mortgage	1,927	—	1,927	7,360	12	7,372
Home equity	—	—	—	740	—	740
Total consumer mortgage (a)	1,927	—	1,927	8,100	12	8,112
Commercial and industrial						
Other	10	—	10	20	—	20
Total loans held-for-sale (b)	$1,937	$—	$1,937	$8,545	$12	$8,557

(a) Fair value option-elected domestic consumer mortgages were $1.9 billion and $3.9 billion at September 30, 2012, and December 31, 2011, respectively. Refer to Note 22 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized premiums of $21 million at September 30, 2012, and net unamortized discounts of $221 million at December 31, 2011.

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

($ in millions)	September 30, 2012	December 31, 2011
High original loan-to-value (greater than 100%) mortgage loans	$336	$423
Payment-option adjustable-rate mortgage loans	—	12
Interest-only mortgage loans	9	298
Below-market rate (teaser) mortgages	—	169
Total higher-risk mortgage loans held-for-sale	$345	$902

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.

	September 30, 2012			December 31, 2011		
($ in millions)	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	$52,434	$18,413	$70,847	$46,576	$16,883	$63,459
Consumer mortgage						
1st Mortgage	7,070	—	7,070	6,867	24	6,891
Home equity	2,717	—	2,717	3,102	—	3,102
Total consumer mortgage	9,787	—	9,787	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	27,523	7,279	34,802	26,552	8,265	34,817
Mortgage	686	—	686	1,887	24	1,911
Other	2,552	6	2,558	1,178	63	1,241
Commercial real estate						
Automobile	2,446	133	2,579	2,331	154	2,485
Mortgage	—	—	—	—	14	14
Total commercial	33,207	7,418	40,625	31,948	8,520	40,468
Loans at fair value (a)	—	—	—	603	232	835
Total finance receivables and loans (b)	$95,428	$25,831	$121,259	$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 22 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 September 30, 2012, and December 31, 2011, respectively.

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

Three months ended September 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2012	$778	$472	$177	$1,427
Charge-offs				
Domestic	(111)	(33)	(3)	(147)
Foreign	(47)	—	—	(47)
Total charge-offs	(158)	(33)	(3)	(194)
Recoveries				
Domestic	41	2	1	44
Foreign	21	—	4	25
Total recoveries	62	2	5	69
Net charge-offs	(96)	(31)	2	(125)
Provision for loan losses	117	6	(7)	116
Other	4	—	1	5
Allowance at September 30, 2012	$803	$447	$173	$1,423

Three months ended September 30, 2011 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2011	$911	$558	$270	$1,739
Charge-offs				
Domestic	(97)	(54)	(6)	(157)
Foreign	(37)	(2)	(7)	(46)
Total charge-offs	(134)	(56)	(13)	(203)
Recoveries				
Domestic	45	4	4	53
Foreign	18	1	8	27
Total recoveries	63	5	12	80
Net charge-offs	(71)	(51)	(1)	(123)
Provision for loan losses	53	26	(29)	50
Discontinued operations	—	(1)	—	(1)
Other	(42)	—	(2)	(44)
Allowance at September 30, 2011	$851	$532	$238	$1,621

Nine months ended September 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	$766	$516	$221	$1,503
Charge-offs				
Domestic	(296)	(119)	(6)	(421)
Foreign	(128)	—	(2)	(130)
Total charge-offs	(424)	(119)	(8)	(551)
Recoveries				
Domestic	129	8	10	147
Foreign	55	—	29	84
Total recoveries	184	8	39	231
Net charge-offs	(240)	(111)	31	(320)
Provision for loan losses	295	54	(64)	285
Deconsolidation of ResCap	—	(9)	—	(9)
Other	(18)	(3)	(15)	(36)
Allowance at September 30, 2012	$803	$447	$173	$1,423
Allowance for loan losses				
Individually evaluated for impairment	$10	$172	$38	$220
Collectively evaluated for impairment	789	275	135	1,199
Loans acquired with deteriorated credit quality	4	—	—	4
Finance receivables and loans at historical cost				
Ending balance	70,847	9,787	40,625	121,259
Individually evaluated for impairment	97	738	1,662	2,497
Collectively evaluated for impairment	70,710	9,049	38,963	118,722
Loans acquired with deteriorated credit quality	40	—	—	40

Nine months ended September 30, 2011 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2011	$970	$580	$323	$1,873
Charge-offs				
Domestic	(331)	(162)	(24)	(517)
Foreign	(112)	(4)	(55)	(171)
Total charge-offs	(443)	(166)	(79)	(688)
Recoveries				
Domestic	146	13	16	175
Foreign	54	1	25	80
Total recoveries	200	14	41	255
Net charge-offs	(243)	(152)	(38)	(433)
Provision for loan losses	157	104	(48)	213
Other	(33)	—	1	(32)
Allowance at September 30, 2011	$851	$532	$238	$1,621
Allowance for loan losses				
Individually evaluated for impairment	$2	$125	$49	$176
Collectively evaluated for impairment	839	407	189	1,435
Loans acquired with deteriorated credit quality	10	—	—	10
Finance receivables and loans at historical cost				
Ending balance	59,705	10,269	37,897	107,871

Individually evaluated for impairment	52	600	698	1,350
Collectively evaluated for impairment	59,549	9,669	37,199	106,417
Loans acquired with deteriorated credit quality	104	—	—	104

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.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Consumer automobile	$—	$1,961	$1,960	$3,279
Consumer mortgage	—	7	40	100
Commercial	10	27	10	33
Total sales and transfers	$10	$1,995	$2,010	$3,412

The following table presents an analysis of our past due finance receivables and loans, net, 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
September 30, 2012						
Consumer automobile	$848	$197	$191	$1,236	$69,611	$ 70,847
Consumer mortgage						
1st Mortgage	76	38	161	275	6,795	7,070
Home equity	17	12	13	42	2,675	2,717
Total consumer mortgage	93	50	174	317	9,470	9,787
Commercial						
Commercial and industrial						
Automobile	7	2	58	67	34,735	34,802
Mortgage	—	—	—	—	686	686
Other	—	—	1	1	2,557	2,558
Commercial real estate						
Automobile	2	—	18	20	2,559	2,579
Mortgage	—	—	—	—	—	—
Total commercial	9	2	77	88	40,537	40,625
Total consumer and commercial	$950	$249	$442	$1,641	$119,618	$ 121,259
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

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)	September 30, 2012	December 31, 2011
Consumer automobile	$304	$228
Consumer mortgage		
1st Mortgage	444	281
Home equity	36	58
Total consumer mortgage	480	339
Commercial		
Commercial and industrial		
Automobile	257	223
Mortgage	—	—
Other	36	37
Commercial real estate		
Automobile	53	67
Mortgage	—	12
Total commercial	346	339
Total consumer and commercial finance receivables and loans	$1,130	$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.

	September 30, 2012			December 31, 2011		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$70,543	$304	$70,847	$63,231	$228	$63,459
Consumer mortgage						
1st Mortgage	6,626	444	7,070	6,610	281	6,891
Home equity	2,681	36	2,717	3,044	58	3,102
Total consumer mortgage	$9,307	$480	$9,787	$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.

	September 30, 2012			December 31, 2011		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$32,766	$2,036	$34,802	$32,464	$2,353	$34,817
Mortgage	667	19	686	1,760	151	1,911
Other	2,306	252	2,558	883	358	1,241
Commercial real estate						
Automobile	2,471	108	2,579	2,305	180	2,485
Mortgage	—	—	—	—	14	14

Total commercial	$38,210	$2,415	$40,625	$37,412	$3,056	$40,468

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

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
September 30, 2012					
Consumer automobile	$97	$97	$—	$97	$10
Consumer mortgage					
1st Mortgage	728	646	101	545	133
Home equity	91	92	—	92	39
Total consumer mortgage	819	738	101	637	172
Commercial					
Commercial and industrial					
Automobile	257	257	93	164	15
Mortgage	—	—	—	—	—
Other	36	36	10	26	7
Commercial real estate					
Automobile	53	53	14	39	16
Mortgage	—	—	—	—	—
Total commercial	346	346	117	229	38
Total consumer and commercial finance receivables and loans	$1,262	$1,181	$218	$963	$220
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

Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables present average balance and interest income for our impaired finance receivables and loans.

Three months ended September 30, ($ in millions)	2012 Average balance	2012 Interest income	2011 Average balance	2011 Interest income
Consumer automobile	$97	$2	$56	$1
Consumer mortgage				
1st Mortgage	628	10	476	5
Home equity	91	1	93	1
Total consumer mortgage	719	11	569	6
Commercial				
Commercial and industrial				
Automobile	229	4	306	6
Mortgage	—	—	2	1
Other	37	—	54	—
Commercial real estate				
Automobile	51	1	104	4
Mortgage	—	—	31	—
Total commercial	317	5	497	11
Total consumer and commercial finance receivables and loans	$1,133	$18	$1,122	$18

Nine months ended September 30, ($ in millions)	2012 Average balance	2012 Interest income	2011 Average balance	2011 Interest income
Consumer automobile	$91	$7	$23	$1
Consumer mortgage				
1st Mortgage	574	21	449	13
Home equity	95	3	89	3
Total consumer mortgage	669	24	538	16
Commercial				
Commercial and industrial				
Automobile	212	9	321	7
Mortgage	6	—	26	6
Other	32	5	95	1
Commercial real estate				
Automobile	57	2	141	4
Mortgage	7	—	47	1
Total commercial	314	16	630	19
Total consumer and commercial finance receivables and loans	$1,074	$47	$1,191	$36

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) 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 maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $885 million at September 30, 2012, reflecting an increase of $151 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 tables present information related to finance receivables and loans recorded at historical cost modified in connection with a troubled debt restructuring during the period.

	2012			2011		
Three months ended September 30, ($ in millions)	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	1,207	$ 14	$ 14	1,629	$ 21	$ 21
Consumer mortgage						
1st Mortgage	218	74	59	80	30	29
Home equity	85	5	5	213	12	11
Total consumer mortgage	303	79	64	293	42	40
Commercial						
Commercial and industrial						
Automobile	3	7	7	—	—	—
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	—	—
Commercial real estate						
Automobile	1	2	2	1	2	2
Mortgage	—	—	—	1	3	2
Total commercial	4	9	9	2	5	4
Total consumer and commercial finance receivables and loans	1,514	$ 102	$ 87	1,924	$ 68	$ 65

	2012			2011		
Nine months ended September 30, ($ in millions)	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	5,979	$ 72	$ 72	4,407	$ 58	$ 58
Consumer mortgage						
1st Mortgage	1,140	333	247	309	111	110
Home equity	312	18	17	695	39	36
Total consumer mortgage	1,452	351	264	1,004	150	146
Commercial						
Commercial and industrial						
Automobile	9	15	15	1	3	3
Mortgage	—	—	—	1	38	28
Other	—	—	—	2	11	10
Commercial real estate						
Automobile	5	11	10	2	6	4
Mortgage	—	—	—	2	4	3
Total commercial	14	26	25	8	62	48
Total consumer and commercial finance receivables and loans	7,445	$ 449	$ 361	5,419	$ 270	$ 252

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables 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.

	2012			2011		
Three months ended September 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	145	$ 2	$ —	88	$ 1	$ —
Consumer mortgage						
1st Mortgage	5	1	—	—	—	—
Home equity	12	1	1	9	1	1
Total consumer mortgage	17	2	1	9	1	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	—	—	—
Commercial real estate						
Automobile	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	162	$ 4	$ 1	97	$ 2	$ 1

	2012			2011		
Nine months ended September 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	514	$ 5	$ 2	176	$ 2	$ 1
Consumer mortgage						
1st Mortgage	17	4	1	5	1	—
Home equity	25	2	2	18	1	1
Total consumer mortgage	42	6	3	23	2	1
Commercial						
Commercial and industrial						
Automobile	4	3	—	1	3	—
Commercial real estate						
Automobile	1	2	—	—	—	—
Total commercial	5	5	—	1	3	—
Total consumer and commercial finance receivables and loans	561	$ 16	$ 5	200	$ 7	$ 2

At September 30, 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 $26 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)	September 30, 2012	December 31, 2011
Interest-only mortgage loans (a)	$2,262	$2,947
Below-market rate (teaser) mortgages	197	248
Total higher-risk mortgage finance receivables and loans	$2,459	$3,195

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

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	September 30, 2012	December 31, 2011
Vehicles and other equipment	$14,969	$11,160
Accumulated depreciation	(2,261)	(1,885)
Investment in operating leases, net	$12,708	$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.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Depreciation expense on operating lease assets (excluding remarketing gains)	$405	$352	$1,124	$1,083
Remarketing gains	(47)	(76)	(155)	(361)
Depreciation expense on operating lease assets	$358	$276	$969	$722

10. Securitizations and Variable Interest Entities

Overview

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

The SPEs involved in securitization and other financing transactions are generally considered 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. Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially changed. Refer to Note 1 for additional information related to ResCap.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During the nine months ended September 30, 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 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 previously 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. In previous certain private-label securitizations monoline insurance may have existed 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 have previously allowed 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 funded those loans; we were 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 asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the trust as they may absorb credit losses or other cash shortfalls. Additionally, the securitization agreements may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which

may or may not be performance-driven.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but 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 25 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the nine months ended September 30, 2012 and 2011.

Other Variable Interest Entities

Servicer Advance Funding Entity

We previously assisted in the financing of our servicer advance receivables; we formed a VIE that issued variable funding notes to third-party investors that were collateralized by servicer advance receivables. These servicer advance receivables were transferred to the VIE and consisted 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 VIE funded 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 VIE was not consolidated on our balance sheet at September 30, 2012 as a result of the deconsolidation of ResCap, but was consolidated on our balance sheet at December 31, 2011. The beneficial interest holder of this VIE 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 nine months ended September 30, 2012 and 2011.

Other

We had involvements with various other on-balance sheet, immaterial VIEs. Most of these VIEs were used for additional liquidity whereby we sold certain financial assets into the VIE and issued beneficial interests to third parties for cash.

We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. 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.

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	
September 30, 2012						
On-balance sheet variable interest entities						
Consumer automobile	$29,131		$—		$—	
Commercial automobile	18,741		—		—	
Commercial other	656		—		—	
Off-balance sheet variable interest entities						
Consumer automobile	—		1,659		1,659	(b)
Consumer mortgage — other	—		—	(c)	13	(d)
Commercial other	(28	) (e)	—	(f)	92	
Total	$48,500		$1,659		$1,764	
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	(g)	44,127		44,127	(b)
Consumer mortgage — CMHC	66	(g)	3,222		66	(h)
Consumer mortgage — private-label	141	(g)	4,408		4,408	(b)
Consumer mortgage — other	—		—	(c)	17	(d)
Commercial other	83	(e)	—	(f)	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) 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.

(c) 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.

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

(e) Includes $0 million and $100 million classified as finance receivables and loans, net, and $0 million and $20 million classified as other assets, offset by $28 million and $37 million classified as accrued expenses and other liabilities at September 30, 2012, and December 31, 2011, respectively.

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

(g) Includes $0 billion and $2.4 billion classified as mortgage loans held-for-sale, $0 million and $92 million classified as trading securities or other assets, and $0 million and $386 million classified as mortgage servicing rights at

September 30, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation.

(h) 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.

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

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 for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

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 22 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 25.

Nonconsolidated VIEs include entities for which we either do not hold potentially 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. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae 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. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted 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.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
Consumer automobile	$—	$—	$6	$—
Consumer mortgage — GSEs	19	332	384	597
Consumer mortgage — private-label	—	—	—	1
Total pretax gain	$19	$332	$390	$598

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 September 30, 2012 and 2011. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, ($ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2012			
Cash proceeds from transfers completed during the period	$1,978	$23,779	$5
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	8	560	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(105)	(7)
Other cash flows	—	(91)	255
2011			
Cash proceeds from transfers completed during the period	$—	$43,877	$722
Cash flows received on retained interests in securitization entities	—	—	53
Servicing fees	—	747	152
Purchases of previously transferred financial assets	—	(1,744)	(17)
Representations and warranties obligations	—	(101)	(29)
Other cash flows	—	60	135

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

	Total Amount		Amount 60 days or more past due	
($ in millions)	September 30, 2012	December 31, 2011	September 30, 2012	December 31, 2011
On-balance sheet loans				
Consumer automobile	$70,847	$63,884	$388	$341
Consumer mortgage (a)	11,714	18,940	240	3,242
Commercial automobile	37,381	37,302	78	162
Commercial mortgage	686	1,925	—	14
Commercial other	2,568	1,261	1	1
Total on-balance sheet loans	123,196	123,312	707	3,760
Off-balance sheet securitization entities				
Consumer automobile	1,659	—	2	—
Consumer mortgage — GSEs	122,892	262,984	1,903	9,456
Consumer mortgage — private-label	—	63,991	—	11,301
Total off-balance sheet securitization entities	124,551	326,975	1,905	20,757
Whole-loan transactions (b)	8,112	33,961	36	2,901
Total	$255,859	$484,248	$2,648	$27,418

(a)

Includes loans subject to conditional repurchase options of $0 billion and $2.3 billion guaranteed by the GSEs, and $0 million and $132 million sold to certain private-label mortgage securitization entities at September 30, 2012, and December 31, 2011, respectively.

(b) 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.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2012	2011	2012	2011
On-balance sheet loans				
Consumer automobile	$96	$71	$240	$243
Consumer mortgage	2	47	20	130
Commercial automobile	2	—	1	11
Commercial mortgage	—	1	(1)	26
Commercial other	(4)	—	(31)	1
Total on-balance sheet loans	96	119	229	411
Off-balance sheet securitization entities				
Consumer automobile	1	—	1	—
Consumer mortgage — GSEs (a)	n/m	n/m	n/m	n/m
Consumer mortgage — private-label	—	910	1,234	3,209
Total off-balance sheet securitization entities	1	910	1,235	3,209
Whole-loan transactions	1	182	238	626
Total	$98	$1,211	$1,702	$4,246

n/m = not meaningful
(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

11. Servicing Activities

Mortgage Servicing Rights

The following tables summarize activity related to MSRs, which are carried at fair value. As MSRs do not trade in an active market with observable prices, management estimates fair value using 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 in orderly transactions 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.

Three months ended September 30, ($ in millions)	2012 (a)	2011
Estimated fair value at July 1,	$1,105	$3,701
Additions recognized on sale of mortgage loans	50	159
Additions from purchases of servicing rights	—	15
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(192)	(1,106)
Other changes in fair value	(61)	(106)
Estimated fair value at September 30,	$902	$2,663

(a) The balance is at Ally Bank. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio. Refer to Note 1 for more information.

Nine months ended September 30, ($ in millions)	2012 (a)	2011
Estimated fair value at January 1,	$2,519	$3,738
Additions recognized on sale of mortgage loans	167	487
Additions from purchases of servicing rights	—	31
Subtractions from sales of servicing assets	—	(266)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(330)	(943)

Other changes in fair value	(324)	(384)
Deconsolidation of ResCap	(1,130)	—
Estimated fair value at September 30,	$902	$2,663

(a) The remaining balance is at Ally Bank, due to the deconsolidation of ResCap. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio. Refer to Note 1 for more information.

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)	September 30, 2012	December 31, 2011
Weighted average life (in years)	4.1	4.7
Weighted average prepayment speed	17.0 %	15.7 %
Impact on fair value of 10% adverse change	$(81)	$(135)
Impact on fair value of 20% adverse change	(152)	(257)
Weighted average discount rate	5.9 %	10.2 %
Impact on fair value of 10% adverse change	$(7)	$(59