Ally Financial Inc.
Form S-1/A
April 12, 2012
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As filed with the Securities and Exchange Commission on April 12, 2012

Registration No. 333-173198

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 6

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLY FINANCIAL INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

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

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

Ally Financial Inc.

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

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EXPLANATORY NOTE

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

- front and back cover pages, which will replace the front and back cover pages of the Common Stock Prospectus;
- pages for the Prospectus Summary The Offering section, which will replace the Prospectus Summary The Offering section of the Common Stock Prospectus;
- pages for the Risk Factors Risks Related to Ownership of the Units, Separate Purchase Contracts, Separate Amortizing Notes and Common Stock section, which will replace the Risk Factors Risks Related to this Offering and Ownership of Our Common Stock section of the Common Stock Prospectus;
- pages for Ratio of Earnings to Fixed Charges and Preferred Stock Dividends section, which will be added to the Units Prospectus;
- pages for the Description of the Units , Description of the Purchase Contracts and Description of the Amortizing Notes sections, which will replace the Concurrent Transactions section of the Common Stock Prospectus;
- pages for the Book-Entry Procedures and Settlement section, which will be added to the Units Prospectus;
- pages for the Concurrent Transactions section, which will replace the Concurrent Transactions section of the Common Stock Prospectus;
- pages for the Certain U.S. Federal Income Tax Considerations section, which will replace the U.S. Federal Tax Considerations for Non-U.S. Holders section of the Common Stock Prospectus; and
- pages for the Underwriting section, which will replace the Underwriting section of the Common Stock Prospectus.

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

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

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

Subject to Completion, Dated April 12, 2012

PRELIMINARY PROSPECTUS

Shares

ALLY FINANCIAL INC.

COMMON STOCK

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

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

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

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

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

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

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

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

The underwriters expect to deliver the shares of common stock to investors on or about , 2012.

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

Barclays Capital **Deutsche Bank Securities**

The date of this prospectus is , 2012

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

INDUSTRY AND MARKET DATA

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

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PROSPECTUS SUMMARY

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

Overview

Ally operates one of the world s largest automotive finance companies. We have over 90 years of experience supporting automotive dealers and their retail customers with a broad array of financial products and services. Our automotive finance franchise operates on a global scale with strategic activities in the United States, Canada and 15 other countries worldwide. We are a bank holding company and also operate one of the largest residential mortgage loan companies in the United States. Our bank subsidiary, Ally Bank, is a leading competitor and well-recognized brand in the growing direct banking market. The bank provides us with a significant source of cost-efficient funding and had $39.6 billion of deposits at December 31, 2011. We had $184 billion of total assets at December 31, 2011 and $6.1 billion of total net revenue during fiscal year 2011.

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

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

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

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

Our Global Automotive Services

Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. We serve the financial needs of over 21,000 dealers worldwide and 5.8 million of their retail customers as of December 31, 2011. In the United States and Canada alone, we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,100 employees that support our North American servicing operations.

Our Dealer-Focused Business Model

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

Our longstanding success as an automotive finance provider is driven by the broad range and quality of products and services we offer to dealers. Our financial products offered to dealers and their customers include, among others, new vehicle retail loans and leases, used vehicle loans, floorplan loans, dealer capital and working capital loans, vehicle service contracts, wholesale inventory insurance and our SmartAuction service for remarketing vehicles. As of December 31, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products.

Manufacturer Relationships

We are a preferred financing provider for a number of manufacturers including GM, Chrysler (for the United States including Fiat, Canada and Mexico), Thor Industries (for the United States), Maserati (for the United States and Canada), MG Motor UK Ltd (in the United Kingdom), The Vehicle Production Group LLC (for the United States) and SsangYoung Motor UK Ltd (in the United Kingdom) under contractual relationships. With our origination and servicing platform and competitive funding programs, we function as a strong and flexible partner that helps manufacturers fulfill their new vehicle marketing programs.

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

Our History in the Automotive Market and Who We Are Today

During our over 90-year history in the automotive finance business, we have developed extensive knowledge and experience in serving the financing needs of automotive dealers and their retail customers. Ally was formed in 1919 as the captive finance subsidiary of GM. In 2006, a majority ownership interest in Ally was sold to third parties. Since that sale, we have transformed into a market-driven independent automotive finance company. We continue to be a preferred financing provider to GM on incentivized retail loans and in 2009, we became the preferred financing provider to Chrysler of incentivized retail loans. In addition, we have developed preferred financing relationships with Thor Industries (for the United States), Maserati (for the United States and Canada), MG Motor UK Ltd (in the United Kingdom), The Vehicle Production Group LLC (for the United States) and SsangYoung Motor UK Ltd (in the United Kingdom) under contractual agreements.

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

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Our Global Automotive Services business is organized into three areas (the information below is as of December 31, 2011).

North American Automotive Finance Operations

Our North American Automotive Finance Operations (NAO) consist of our automotive financing operations in the United States and Canada. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2011. We funded one out of every ten new car purchases that were financed in the United States during 2011. We had total consumer originations in the United States and Canada of $43.8 billion in 2011. Our penetration rate of GM and Chrysler new car purchases in the United States and Canada in 2011 was 38% and 29%, respectively. We financed an average of $28.7 billion of vehicle floorplan assets for our dealers, including 79% of GM s and 65% of Chrysler s total North American dealer new vehicle inventory, respectively, during 2011.

We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $76.0 billion portfolio at December 31, 2011. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions.

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

4th Quarter 2011		3rd Quarter 2011		2nd Quarter 2011		1st Quarter 2011		Year ended December 31, 2011		2010		2009		2008	
%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
8.4%	1	9.2%	1	9.3%	1	13.5%	1	10.1%	1	9.9%	1	6.1%	3	5.8%	4

Source: Experian Automotive

The used vehicle financing market is significant in size and highly fragmented. We continue to increase our focus on used car financing, primarily through franchised dealers and certain national used vehicle dealers. According to Experian Automotive, over 14.5 million used vehicles were sold by franchised dealers in 2011. We believe that increased market share in this fragmented segment will further expand and support our dealer relationships and increase our volume of retail originations.

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International Automotive Finance Operations

Our International Automotive Finance Operations (IO) conduct business in Asia, Latin America and Europe. We focus on five core foreign markets: China (through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC)), Brazil, Mexico, Germany and the United Kingdom. We also originate loans in 10 other countries. We provide financial services to approximately 5,500 automotive dealer customers in these 15 foreign markets.

China Our GMAC-SAIC joint venture is a leading automotive finance company in China and offers a full suite of products. We believe there is significant opportunity for growth in loan origination in China due to the strong increase in overall car sales as well as the relatively low proportion of these sales that have been financed historically. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation Limited. At December 31, 2011, the joint venture had total finance receivables and loans of $5.1 billion.

Brazil and Mexico Brazil is the largest automotive market in Latin America where we had total finance receivables and loans of $3.6 billion at December 31, 2011. In both Brazil and Mexico, we offer a full product line and have strong positions in the automotive dealer channel.

Germany and the United Kingdom Germany and the United Kingdom remain our core markets in Europe with total finance receivables and loans of $5.7 billion at December 31, 2011. To improve operational efficiency, certain of our servicing and lending activities in Europe have been consolidated in Germany.

Insurance Operations

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

We believe our national insurance platform provides us with a competitive advantage, allowing us to design products tailored to our dealer customers, control underwriting and retain the profits generated by this business. We sell insurance products to approximately 4,000 dealers in the United States. Among U.S. GM dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 78%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

Mortgage

Our Origination and Servicing operations consist of originating, purchasing, selling and securitizing conforming and government-insured residential mortgage loans in the United States; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage loan originators, also called warehouse lending. We also originate a small amount of high quality prime jumbo mortgage loans in the United States. Our Origination and Servicing operations had $23 billion in assets at December 31, 2011.

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On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel; however, we will maintain correspondent relationships with key customers. Conforming and government-insured residential mortgage loans comprised 97.0% of our fiscal year 2011 originations. At December 31, 2011, we were the primary servicer of 2.3 million mortgage loans with $356.4 billion of unpaid principal balances. Since the onset of the housing crisis, we have reduced our overall mortgage assets from $135.1 billion in 2006 to $33.9 billion at December 31, 2011, primarily through the run-off and divestiture of noncore businesses and assets.

Our Legacy Portfolio and Other operations primarily consist of mortgage loans originated prior to January 1, 2009, and consist of noncore business activities including portfolios in run-off. Total assets of our Legacy Portfolio and Other operations decreased from $32.9 billion at December 31, 2008, to $10.9 billion at December 31, 2011.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. We believe that Ally Bank is well-positioned to continue to take advantage of the consumer-driven shift from branch banking to direct banking. We believe internet banking is now the preferred banking channel by consumers. According to a 2011 American Bankers Association survey, the number of bank customers who prefer to do their banking online increased from 21% to 62% between 2007 and 2011, while those who prefer branch banking has declined from 39% to 20% over the same period.

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

Ally Bank provides our automotive finance and mortgage loan operations with a stable and low-cost funding source. At December 31, 2011, Ally Bank had $39.6 billion of deposits including $27.7 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $27.7 billion at December 31, 2011 has enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds over time and diversify our overall funding as our deposit base grows. Over the past three years, we have grown our retail deposits even as we have reduced the cost of our deposits.

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

Our Strengths

Automotive financial services category leader with full product suite.

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

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of December 31, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During fiscal year 2011, 70% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, we have successfully added preferred provider agreements, including Chrysler (for the United States including Fiat, Canada and Mexico), Thor Industries (for the United States), Maserati (for the United States and Canada), MG Motor UK Ltd (in the United Kingdom), The Vehicle Production Group LLC (for the United States) and SsangYoung Motor UK Ltd (in the United Kingdom). Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our North American new non-GM retail originations from $1.0 billion in 2006 to $11.4 billion in 2011.

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

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Scalable platform with significant growth opportunities.

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

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

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

Source: Bureau of Economic Analysis as to 2006-2011 data and Blue Chip Economic Indicators, Vol. 37, No. 3, as to projected 2012-2014 data.

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

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

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

Leading direct banking franchise.

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

Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of December 31, 2011 was 727. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During fiscal year 2011, the loss rate on our U.S. consumer automotive portfolio was 0.60%.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During fiscal year 2011, the loss rate on our U.S. commercial automotive portfolio was 0.05%.

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The loans originated in our mortgage operations are currently comprised primarily of high credit quality conforming, government-insured and prime jumbo residential mortgage loans. At December 31, 2011, we held reserves of $825 million for potential repurchase obligations for loans we sold to counterparties. See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-balance Sheet Arrangements Government-sponsored Enterprises for further details with respect to the scope of our settlement agreements with Fannie Mae and Freddie Mac.

We have demonstrated strong access to funding and liquidity that are critical to our business. In fiscal year 2011, we raised over $38 billion of secured and unsecured funding in the capital markets. We also have significant liquidity available beyond capital markets funding with access to $36.9 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at December 31, 2011.

Our access to deposits is an important source of diversified funding. Approximately 31% of our funding at the end of 2011 came from deposits compared to 14% at the end of 2008. We believe Ally Bank gives us the stable, low-cost benefits of deposit funding with a direct-to-consumer delivery model. Ally Bank s leadership in direct banking, recognizable brand and compelling customer value proposition position us well for consistent growth.

Our balance sheet is well capitalized. At December 31, 2011, we had a Tier 1 capital ratio of 13.71%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

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

Our Business Strategy

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

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

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Reduce our funding costs and continue funding diversification.

We continue to expand and diversify our funding in order to improve our profitability and enhance our competitiveness. Our success at developing our franchise at Ally Bank has supported the growth of our retail deposit base to $27.7 billion at December 31, 2011 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

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

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

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

We will continue to focus primarily on originating and managing secured automotive and related products. The types of secured commercial and consumer automotive loans that we originate performed well through the recent financial crisis. Our Mortgage Origination and Servicing operations originate conforming, government-insured residential and prime jumbo residential mortgage loans.

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

Improve our shareholder return profile.

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

Corporate Information

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

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THE OFFERING

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

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

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

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

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

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

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

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

Unless we specifically state otherwise, the information in this prospectus (i) does not take into account shares issuable under our equity compensation incentive plan and (ii) assumes for purposes of calculating the number of shares of common stock we will issue to Treasury in the conversion that the common stock public offering price will be $ per share (the midpoint of the price range set forth on the cover of this prospectus). All applicable share, per share and related information in this prospectus for periods on or subsequent to has been adjusted retroactively for the -for-one stock split on shares of our common stock effected on , 2012.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011 and 2010 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2008 and 2007 and the consolidated balance sheet data at December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements not included in this prospectus.

	At and for the year ended December 31,				
	2011	2010	2009 ($ in millions)	2008	2007
Financial statement data					
Statement of income data:					
Total financing revenue and other interest income	$ 9,736	$ 11,183	$ 12,772	$ 17,691	$ 21,459
Interest expense	6,223	6,666	7,091	10,266	13,421
Depreciation expense on operating lease assets	1,038	1,903	3,519	5,261	4,371
Impairment of investment in operating leases				1,192	
Net financing revenue	2,475	2,614	2,162	972	3,667
Total other revenue (a)	3,596	5,028	4,040	14,826	5,779
Total net revenue	6,071	7,642	6,202	15,798	9,446
Provision for loan losses	219	442	5,603	3,102	3,038
Total noninterest expense	5,785	6,061	7,508	7,983	7,881
Income (loss) from continuing operations before income tax expense (benefit)	67	1,139	(6,909)	4,713	(1,473)
Income tax expense (benefit) from continuing operations (b)	179	153	74	(150)	477
Net (loss) income from continuing operations	(112)	986	(6,983)	4,863	(1,950)
(Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
			(in millions, except per share data)		
Net (loss) income attributable to common shareholders					
Net (loss) income from continuing operations	$ (112)	$ 986	$ (6,983)	$ 4,863	$ (1,950)
Less: Preferred stock dividends U.S. Department of Treasury	534	963	855		
Less: Preferred stock dividends	260	282	370		192
Less: Impact of conversion of preferred stock and related amendment		616(c)			
Less: Impact of preferred stock amendment	(32)				
Net (loss) income from continuing operations attributable to common shareholders (a)	(874)	(875)	(8,208)	4,863	(2,142)
(Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income attributable to common shareholders	$ (919)	$ (786)	$ (11,523)	$ 1,868	$ (2,524)
Basic and diluted weighted-average common shares outstanding	1,330,970	800,597	529,392	108,884	101,331
			(per share data in whole dollars)		
Basic and diluted earnings per common share (d)					
Net (loss) income from continuing operations	$ (658)	$ (1,092)	$ (15,503)	$ 44,661	$ (21,143)
(Loss) income from discontinued operations, net of tax	(33)	111	(6,262)	(27,509)	(3,768)

Net (loss) income	$ (691)	$ (981)	$ (21,765)	$ 17,152	$ (24,911)
Pro forma data (e)					
Basic and diluted earnings per common share					
Net (loss) income from continuing operations					
Income (loss) from discontinued operations, net of tax					
Net (loss) income					
Basic and diluted weighted-average common shares outstanding					

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	At and for the year ended December 31,				
	2011	2010	2009	2008	2007
	($ in millions)				
Non-GAAP financial measures (f):					
Net (loss) income	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
Add: Original issue discount amortization expense (g)	962	1,300	1,143	70	
Add: Income tax expense (benefit) from continuing operations	179	153	74	(150)	477
Less: Gain on extinguishment of debt related to the 2008 bond exchange				11,460	
Less: (Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Core pretax income (loss) (f)	$ 1,029	$ 2,439	$ (5,766)	$ (6,677)	$ (1,473)
Selected balance sheet data (period end):					
Total assets	$ 184,059	$ 172,008	$ 172,306	$ 189,476	$ 248,939
Long-term debt	$ 92,794	$ 86,612	$ 88,021	$ 115,935	$ 159,342
Preferred stock/interests (d)	$ 6,940	$ 6,972	$ 12,180	$ 6,287	$ 1,052
Total equity	$ 19,371	$ 20,489	$ 20,839	$ 21,854	$ 15,565
Financial ratios					
Efficiency ratio (h)	95.29%	79.31%	121.06%	50.53%	83.43%
Core efficiency ratio (h)	82.26%	67.78%	102.22%	181.10%	83.43%
Return on assets (i)					
Net (loss) income from continuing operations	(0.06)%	0.56%	(3.93)%	2.57%	(0.78)%
Net (loss) income	(0.09)%	0.61%	(5.79)%	0.99%	(0.94)%
Core pretax income (loss)	0.57%	1.38%	(3.24)%	(3.52)%	(0.59)%
Return on equity (i)					
Net (loss) income from continuing operations	(0.56)%	4.76%	(28.79)%	22.25%	(12.53)%
Net (loss) income	(0.78)%	5.19%	(42.46)%	8.55%	(14.98)%
Core pretax income (loss)	5.10%	11.78%	(23.78)%	(30.55)%	(9.46)%
Equity to assets (i)	11.15%	11.72%	13.63%	11.53%	6.25%
Net interest spread (i)(j)	1.07%	1.26%	0.73%	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.79%	2.32%	1.75%	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.57%	1.81%	1.43%	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.15%	2.65%	2.18%	(k)	(k)
Regulatory capital ratios					
Tier 1 capital (to risk-weighted assets) (m)	13.71%	15.00%	14.15%	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	14.75%	16.36%	15.55%	(k)	(k)
Tier 1 leverage (to adjusted quarterly average assets) (o)	11.50%	13.05%	12.70%	(k)	(k)
Total equity	$ 19,371	$ 20,489	$ 20,839	(k)	(k)
Goodwill and certain other intangibles	(493)	(532)	(534)	(k)	(k)
Unrealized gains and other adjustments	(262)	(309)	(447)	(k)	(k)
Trust preferred securities	2,542	2,541	2,540	(k)	(k)
Tier 1 capital (m)	21,158	22,189	22,398	(k)	(k)
Preferred equity	(6,940)	(6,971)	(12,180)	(k)	(k)
Trust preferred securities	(2,542)	(2,541)	(2,540)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 11,676	12,677	7,678	(k)	(k)
Risk-weighted assets (q)	$ 154,308	$ 147,964	$ 158,314	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	7.57%	8.57%	4.85%	(k)	(k)

(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.

(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Refer to Note 25 to the fiscal year Consolidated Financial Statements (the

Consolidated Financial Statements) for additional information regarding our changes in tax status.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risks Related to Regulation

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

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

Ally is subject to ongoing supervision, examination and regulation by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management s ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations.

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

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

As a bank holding company, Ally s activities are generally limited to banking or to managing or controlling banks or to other activities deemed closely related to banking or otherwise permissible under the BHC Act and related regulations. Likewise, subject to certain exceptions, Ally is not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, directly or indirectly, or to acquire control of any other company, directly or indirectly (including by acquisition of 25% or more of a class of voting shares). Upon our bank holding company approval, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB initially granted a one-year extension that expired in December 2011, and recently granted a second one-year extension that expires in December 2012. We will be permitted to apply to the FRB for one additional one-year extension. Certain of Ally s existing activities and investments, including most of our insurance activities and our SmartAuction vehicle remarketing services for third parties, are deemed impermissible under the BHC Act and must be terminated or disposed of by the expiration of this extension and any additional extensions. While some of these activities may be continued if Ally is able to convert to a financial holding company under the BHC Act, Ally may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. The FRB may also decline to grant any additional requested extensions, and Ally may be obligated to terminate or dispose of any impermissible activities, businesses, or investments more quickly than anticipated or under terms that are unfavorable to us. Either situation could have a material adverse effect on our business, results of operations, and financial position.

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

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

Representatives of federal and state governments, including the United States Department of Justice, the FRB, the FDIC, the U.S. Securities and Exchange Commission (SEC), and law enforcement authorities in all 50 states, have been investigating the procedures followed by mortgage servicing companies and banks, including subsidiaries of Ally, in connection with mortgage foreclosure home sales and evictions. In connection with this, on February 9, 2012, we reached an agreement in principle with the federal government and 49 state attorneys general with respect to these matters, which resulted in a charge of approximately $230 million in the fourth quarter of 2011. It is possible that Ally or its subsidiaries could become subject to further penalties, sanctions, or other adverse actions related to these matters, which could have a material adverse impact on our results of operations, financial position or cash flows.

On December 1, 2011, the Commonwealth of Massachusetts filed an enforcement action in the Suffolk County Superior Court against GMAC Mortgage and several other lender/servicers. The Commonwealth claims that certain aspects of defendants foreclosure processes are unlawful, that defendants do not always process loan modification accurately, and that defendants use of the Mortgage Electronic Registration Systems (MERS) has damaged the integrity of the Commonwealth s Torrens recording system. The Commonwealth seeks civil penalties, injunctive relief, costs and attorneys fees. In connection with the settlement with the federal government and state attorneys general announced on February 9, 2012, the Commonwealth of Massachusetts agreed to settle all servicing-related claims asserted in this action and to certain limits on monetary damages, if any. However, the Commonwealth of Massachusetts continues to pursue claims related to MERS and certain foreclosure-related matters.

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

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approximately $40 million annually during 2012 and 2013, and then reducing over time. The majority of these incremental annual costs are for additional servicing personnel, enhancements to information systems, vendor management, costs to comply with MERS requirements, and increased audit and compliance costs.

The Consent Order further requires GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (Foreclosure Review). Based on current expectations, we estimate total costs to the applicable mortgage companies related to the Foreclosure Review to be up to $200 million, but it is possible that costs could be higher, particularly if the scope of the Foreclosure Review is expanded. We expect the majority of these costs to be incurred in 2012, although it is possible that such costs could be incurred over a longer period of time.

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

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

Our business strategy for Ally Bank, which is primarily focused on automotive lending and growth of our direct-channel deposit business, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors raise concerns regarding any aspect of our business strategy for Ally Bank, we may be obliged to alter our strategy, which could include moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as asset securitization or financings in the capital markets, could be more expensive than funding through Ally Bank and could adversely effect our business prospects, results of operations and financial condition.

We are subject to new capital planning and systemic risk regimes, which impose significant restrictions and requirements.

Effective December 2011, the FRB requires bank holding companies with $50 billion or more in total consolidated assets, such as Ally, to submit annual capital plans for FRB non-objection. In the absence of a non-objection regarding the capital plan, the new regulation prohibits such bank holding companies from paying dividends or making certain other capital distributions without a specific FRB non-objection to such action. Even if a bank holding company receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., after giving effect to the dividend or distribution, the bank holding company would not meet a minimum regulatory capital ratio or a Tier 1 common ratio of at least 5%) and subject to certain exceptions. Ally submitted its first capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review which required us to submit a revised capital plan in the near future. It is unknown whether the FRB will accept Ally s revised plan as submitted or require further revisions.

In addition, in December 2011, the FRB proposed rules to implement certain provisions of the systemic risk regime under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). If adopted as proposed, among other provisions, the rules would require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Ally s aggregate exposure to any unaffiliated counterparty to 25% of Ally s capital and surplus; and potentially subject Ally to an early remediation regime that could limit the ability of Ally to pay dividends or expand its business if the FRB identified Ally as suffering from financial or management weaknesses. The systemic risk provisions, when implemented, could adversely affect our business prospects, results of operations, and financial condition.

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

Ally Bank continues to be a key part of our funding strategy, and we have increased our reliance on deposits as an alternative source of funding through Ally Bank. Ally Bank does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits which, at December 31, 2011, included $9.9 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact our ability to grow our deposit base. As we have established the Ally Bank brand and increased our retail deposit base over the past few years, we have reduced offered rates on new retail deposits. However, a strategy of continuing to offer reduced rates in the future could limit our ability to further grow or maintain deposits. Even if we are able to grow the deposit base of Ally Bank, our regulators may impose restrictions on our ability to use Ally Bank deposits as a source of funding for certain business activities potentially raising the cost of funding those activities without the use of Ally Bank deposits.

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

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

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

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

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

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

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

The Dodd-Frank Act became law in July 2010. Portions of the Dodd-Frank Act were effective immediately, but many provisions will only be effective after the adoption of implementing regulations, which have been delayed in numerous cases. The Dodd-Frank Act, when fully implemented, will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:

- result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with $50 billion or more in consolidated assets;
- result in the appointment of the FDIC as receiver of Ally in an orderly liquidation proceeding if the Secretary of Treasury, upon recommendation of two-thirds of the FRB and the FDIC and in consultation with the President of the United States, finds Ally to be in default or danger of default;
- affect the levels of capital and liquidity with which Ally must operate and how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impact Ally s ability to invest in certain types of entities or engage in certain activities;
- impact a number of Ally s business and risk management strategies;
- restrict the revenue that Ally generates from certain businesses; and
- subject Ally to a new Consumer Financial Protection Bureau (CFPB), which has very broad rule-making and enforcement authorities.

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

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

The Bank for International Settlements Basel Committee on Banking Supervision recently adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III increases (i) the minimum Tier 1 common equity ratio from 2.0% to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0% and (ii) the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3% based on a measure of the total exposure rather than total assets and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs), and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in Tier 1 capital. In addition, under Basel III rules, after a 10-year phase-out period beginning in January 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 2013. At December 31, 2011, Ally had $2.3 billion of MSRs and $2.5 billion of trust preferred securities, which were included as Tier 1 capital. Ally currently has no other hybrid securities outstanding. The Basel III rules, when implemented, will impose limits on Ally s ability to meet its regulatory capital requirements through the use of MSRs, trust preferred securities, or other hybrid securities, if applicable. Pending final rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III. It is currently anticipated that U.S. banking regulators will propose regulations to implement Basel III in 2012.

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

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

Future consumer or mortgage legislation could harm our competitive position.

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

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

Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in information-gathering requests, reviews, investigations, and proceedings (both formal and informal) by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, SEC, and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the U.S. Department of Justice, served on Ally Financial Inc. and GMAC Mortgage LLC, respectively. Beginning in December 2010 and continuing through 2011, a series of subpoenas were received from the SEC, seeking information about various aspects of the process surrounding securitizations of residential mortgages with which certain of our mortgage subsidiaries were involved as sponsor or servicer. The subpoena received from the U.S. Department of Justice includes a broad request for documentation and other information in connection with its investigation of potential fraud related to the origination and/or underwriting of mortgage loans. These subpoenas, or any other investigation or information-gathering request, may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

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

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

Historically, the FRB was authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in the existing exemption letters.

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

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

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

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

Risks Related to Our Business

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

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our domestic and, in particular, our International Automotive Finance operations are highly dependent on GM production and sales volume. In 2011, 62% of our North American new vehicle dealer inventory financing and 66% of our North American new vehicle consumer automotive financing volume were for GM dealers and customers. In addition, 97% of our international new vehicle dealer inventory financing and 82% of our international new vehicle consumer automotive financing volume were for GM dealers and customers. Furthermore, we have an agreement with Chrysler related to automotive financing products and services for Chrysler dealers and customers pursuant to which we are the preferred provider of new wholesale financing for Chrysler dealer inventory and consumer financing for Chrysler customers. In 2011, 30% of our North American new vehicle dealer inventory financing and 28% of our North American new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

Ally s agreements with GM and Chrysler regarding automotive financing products for their dealers and customers extend through December and April 2013, respectively, unless terminated earlier in accordance with their terms. The agreement with Chrysler provides for automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal. As a result, our agreement with Chrysler will be automatically extended through April 30, 2014, unless Chrysler notifies us of nonrenewal on or before April 30, 2012, in which case, the agreement would expire on April 30, 2013. These agreements provide Ally with certain preferred provider benefits including limiting the use of other financing providers by GM and Chrysler in their incentive programs. The terms of the Ally agreement with GM changed after January 1, 2011, such that GM is now able to offer incrementally more incentive programs through third parties on a nonexclusive, side-by-side basis with Ally, provided that the pricing of the third parties meets certain requirements. Due to the highly competitive nature of the market for financial services, Ally may be unable to extend one or both of these agreements or may face less favorable terms upon extension. If Ally is unable to extend one or both of these agreements or if GM or Chrysler enters a similar agreement with a third party, Ally s retail financing volumes could be materially and adversely impacted.

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

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

There is no assurance that the global automotive market or GM s and Chrysler s respective share of that market will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position.

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

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

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At December 31, 2011, approximately $12.0 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2012, which includes $7.4 billion in principal amount of debt issued under the FDIC s Temporary Liquidity Guaranty Program, and approximately $2.3 billion and $5.8 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2013 and 2014, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2011, a total of $2.8 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At December 31, 2011, approximately $14.4 billion of outstanding consolidated secured debt is scheduled to mature in 2012, approximately $15.1 billion is

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scheduled to mature in 2013, and approximately $11.1 billion is scheduled to mature in 2014. Furthermore, at December 31, 2011, approximately $15.0 billion in certificates of deposit at Ally Bank are scheduled to mature in 2012, which is not included in the 2012 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets continue to be volatile, and Ally s access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was $925 million for the year ended 2011, and the remaining scheduled amortization of OID is $350 million, $263 million, and $190 million in 2012, 2013, and 2014, respectively.

As a result of the volatility in the markets and our current unsecured debt ratings, we have increased our reliance on various secured debt markets. Although market conditions have improved, there can be no assurances that this will continue. In addition, we continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While markets have continued to stabilize following the 2008 liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

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

We have a significant amount of indebtedness. At December 31, 2011, we had approximately $101.6 billion in principal amount of indebtedness outstanding (including $53.0 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 57% of our total financing revenue and other interest income for the year ended December 31, 2011. In addition, during the twelve months ending December 31, 2011, we declared and paid preferred stock dividends of $794 million in the aggregate.

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

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

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets, which has resulted in pressure on our net interest margins. For example, on April 1, 2011, TD Bank Group announced the closing of its acquisition of Chrysler Financial, which could enhance Chrysler Financial s ability to expand its product offerings and may result in increased competition. Our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much

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less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

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

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

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

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

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

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

ResCap is highly leveraged relative to its cash flow and has recognized substantial losses resulting in a significant deterioration in capital. There continues to be a risk that ResCap will not be able to meet its debt service obligations, and/or that it will be in a negative liquidity position in 2012 or beyond. Further, ResCap was in default on certain of its financial covenants as of December 31, 2011 due to insufficient equity levels, and it is possible that further defaults could occur in the future due to insufficient equity, capital, or liquidity. ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue any such support or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful.

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

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

We have extensive financing and hedging arrangements in place with ResCap. At December 31, 2011, we had $2.6 billion in funding arrangements with ResCap. This amount included a $1.0 billion of senior secured credit facilities, which were fully drawn at December 31, 2011. This amount further included a $1.6 billion line of credit consisting of $1.1 billion in secured capacity, of which $235 million was drawn, and $500 million of unsecured capacity. The unsecured portion is only available after the secured portion has been fully drawn. At December 31, 2011, all hedging arrangements were fully collateralized. Amounts outstanding under the financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, will be subject to bankruptcy proceedings and regulations, or ResCap may be unable to repay its financing facilities. In addition, we would be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap s secured obligations to us. In addition, it is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. We may also find it advantageous to provide debtor-in-possession financing to ResCap in a bankruptcy proceeding in order to preserve the value of the collateral ResCap has pledged to us. In addition, should ResCap file for bankruptcy, our investment related to ResCap s equity position would likely be reduced to zero, and creditors of ResCap may attempt to assert claims directly against us for payment of their obligations, which could result in litigation with such creditors.

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

ResCap expects its liquidity pressures to continue in 2012. ResCap is highly leveraged relative to its cash flow. At December 31, 2011, ResCap s unrestricted liquidity (cash readily available to cover operating demands from across its business operations) totaled $390 million with cash and cash equivalents totaling $619 million.

ResCap expects that additional and continuing liquidity pressure, which is difficult to forecast with precision, will result from the obligation of its subsidiaries to advance delinquent principal, interest, property taxes, casualty insurance premiums, home equity line advances, and certain other amounts with respect to mortgage loans its subsidiaries service that become delinquent. In addition, ResCap continues to be subject to financial covenants requiring it to maintain minimum consolidated tangible net worth and consolidated liquidity balances. ResCap will attempt to meet these and other liquidity and capital demands through a combination of cash flow from operations and financings, potential asset sales, and other various alternatives. To the extent these sources prove insufficient, ResCap will be dependent on continued support from Ally to the extent Ally agrees to provide such support. Ally currently provides funding and capital support to ResCap through various secured and unsecured facilities, which includes a $500 million unsecured line of credit. The sufficiency of these sources of additional liquidity cannot be assured, and any asset sales, even if they raise sufficient cash to meet ResCap s liquidity needs, may adversely affect its overall profitability and financial condition.

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

Our mortgage subsidiary, ResCap, requires substantial liquidity and capital.

ResCap remains heavily reliant on support from us to meet its liquidity and capital requirements, which includes approximately $2.4 billion in principal amount of indebtedness scheduled to mature in 2012, 2013, and 2014. For example, we made a capital contribution of approximately $197 million to ResCap in January 2012 through forgiveness of intercompany debt to cure a covenant breach by ResCap. In addition, ResCap has commitments to lend up to $1.8 billion under existing home equity lines of credit it has extended to customers. Developments in the market for many types of mortgage products have resulted in reduced liquidity for these assets. As a result, a significant portion of ResCap s assets are relatively illiquid.

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

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

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

When our Mortgage Companies sell mortgage loans through whole-loan sales or securitizations, these entities are required to make customary representations and warranties about the loans to the purchaser and/or securitization trust. These representations and warranties relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation, and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Breaches of these representations and warranties have resulted in a requirement that the applicable Mortgage Companies repurchase mortgage loans, indemnify the investor for incurred losses, or make the investor whole. As the mortgage industry continues to experience higher repurchase demands and additional parties begin to attempt to put back loans, a significant increase in activity beyond that experienced today could occur, resulting in additional future losses at our Mortgage Companies. At December 31, 2011, our reserve for representation and warranty obligations was $825 million. It is difficult to determine the accuracy of our estimates and assumptions used to determine this reserve. For example, if the law were to develop that disagrees with our interpretation that a claimant must prove that the alleged breach of representations and warranties was

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caused by the alleged adverse effect on the interest of the claimant, it could significantly impact our determination of the reserve. In addition, if recent court rulings related to monoline litigation that have allowed sampling of loan files instead of a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative to a loan-by-loan review. As a result of these and other developments, the actual experience at our Mortgage Companies may differ materially from these estimates and assumptions. Refer to Note 31 to the Consolidated Financial Statements for further details.

Further, claims related to private-label mortgage-backed securities (MBS) have been brought against Ally and certain of its subsidiaries under federal and state securities laws and contract laws (among other theories), and additional similar claims are likely to be brought in the future. Several securities law cases have been brought by various third-party investors relating to MBS, where investors have alleged misstatements and omissions in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. In addition, there are two cases pending where MBIA Insurance Corporation (MBIA), a monoline bond insurance company, has alleged, among other things, that two of our Mortgage Companies breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. MBIA further alleges that such entities failed to follow certain remedy procedures set forth in the contracts and improperly serviced the mortgage loans. Along with claims of breach of contract, MBIA also alleges fraud. In addition, there are four cases where Financial Guaranty Insurance Company (FGIC) has alleged, among other things, that certain of our mortgage subsidiaries breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that our subsidiaries breached contractual obligations to permit access to loan files and certain books and records. Along with claims of breach of contract, FGIC also alleges fraud in one of the three cases. We expect our Mortgage Companies to receive additional repurchase demands from MBIA and FGIC, the amount of which could be substantial. In addition, litigation from other monoline bond insurance companies is likely. Third-party investors may also bring contractual representation and warranties claims against us. Refer to Note 31 to the Consolidated Financial Statements for further details with respect to existing litigation.

Certain of our mortgage subsidiaries received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and Freddie Mac. The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private label securities subsequent to the settlement, they may well do so in the future. The FHFA has commenced securities and related common law fraud litigation against certain of our mortgage subsidiaries with respect to certain of Freddie Mac s private label securities investments. Refer to Note 31 to the Consolidated Financial Statements for additional information.

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

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

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

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business to require them to register their stock with the SEC to reduce or limit certain business benefits that they receive from the U.S. government and to limit the size of the mortgage loan portfolios that they may hold. Furthermore, the Obama administration released a report in 2011 that recommended winding down Fannie Mae and Freddie Mac. We do not know what impact, if any, the report would have on the future of the GSEs. Moreover, the results of the upcoming U.S. presidential election may also have a significant impact on the future of the GSEs. In addition, the GSEs themselves have been negatively affected by recent mortgage market conditions, including conditions that have threatened their access to debt financing. Any discontinuation of, or significant reduction in, the operation of these GSEs could adversely affect our revenues and profitability. Also, any significant adverse change in the level of activity in the secondary market including declines in institutional investors desire to invest in our mortgage products could materially adversely affect our business.

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

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. For example, the continued decline in the domestic housing market and the increase in unemployment rates resulted in an increase in delinquency rates related to mortgage loans that ResCap and Ally Bank either hold or retain an interest in. Furthermore, a weak economic environment, high unemployment rates, and the continued deterioration of the housing market could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. In addition, we have begun to increase our used automobile and nonprime automobile financing (nonprime automobile financing). We define nonprime consumer automobile loans as those loans with a FICO score (or an equivalent score) at origination of less than 620. At December 31, 2011, the carrying value of our North American Automotive Finance Operations (NAO) nonprime consumer automobile loans before allowance for loan losses was $3.8 billion, or approximately 7.1% of our total NAO consumer automobile loans. Of these loans, $51 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Our International Automotive Finance Operations (IO) also has exposure to loans of higher credit risk with similar characteristics to those of the nonprime loans held by NAO. However, the lack of a consistent external third-party provider of consumer credit score information (like FICO in the United States and Canada) across the international geographies where we operate requires us to use our own internally-developed credit scoring approach to create a similar international comparative. Based on this internal analysis we believe nonprime loans represent less than 10% of our total IO consumer automobile loans and of these loans, less than 5% were considered nonperforming. As we grow our automotive asset portfolio in nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

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

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

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

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

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

The current debt crisis in Europe, the risk that certain countries may default on their sovereign debt, and recent rating agency actions with respect to European countries and the United States and the resulting impact on the financial markets, could have a material adverse impact on our business, results of operations and financial position.

The current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. Recently, rating agencies have lowered their ratings on several euro-zone countries. The continuation of the European debt crisis has adversely impacted financial markets and has created substantial volatility and uncertainty, and will likely continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. In addition, on August 5, 2011, Standard & Poor s Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA , and the outlook on its long-term rating is negative. The U.S. downgrade, any future downgrades, as well as the perceived creditworthiness of U.S. government-related obligations, could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

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

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

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

Immediately following this offering, and the concurrent transactions described under Concurrent Transactions, Treasury will own approximately % of our outstanding shares of common stock (% if the underwriters in the offering of common stock and the underwriters in the concurrent offering of Units exercise their over-allotment options in full), assuming the common stock public offering price is the midpoint of the price range set forth on the cover of this prospectus, and Treasury will own approximately % of the outstanding Units (% if the underwriters in the concurrent offering of Units exercise their over-allotment options in full).

Pursuant to the Amended and Restated Governance Agreement dated May 21, 2009, as of the date hereof, Treasury also has the right to appoint six of the eleven members to our board of directors. As a result of this stock ownership interest and Treasury s right to appoint six directors to our board of directors, Treasury has the ability to exert control, through its power to vote for the election of our directors, over various matters. To the extent Treasury elects to exert such control over us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

The selection, tenure and compensation of our management;

Our business strategy and product offerings;

Our relationship with our employees and other constituencies; and

Our financing activities, including the issuance of debt and equity securities.

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

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

Our performance is dependent on the talent and efforts of our management team and employees. As a result of our participation in TARP, the compensation of certain members of our management team and employees is subject to extensive restrictions under the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (the ARRA), which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009 (the IFR). In addition, due to our level of participation in TARP, pursuant to ARRA and the IFR, the Office of the Special Master for TARP Executive Compensation has the authority to further regulate our compensation arrangements with certain of our executives and employees. In addition, we may become subject to further restrictions under any other future legislation or regulation limiting executive compensation. Many of the restrictions are not limited to our senior executives and affect other employees whose contributions to revenue and performance may be significant. These limitations may leave us unable to create a compensation structure that permits us to retain and motivate certain of our executives and employees or to attract new executives or employees, especially if we are competing against institutions that are not subject to the same restrictions. Any such inability could have a material and adverse effect on our business, financial condition, and results of operations.

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

The cost and availability of unsecured financing are materially affected by our short- and long-term credit ratings. Each of Standard & Poor s Rating Services; Moody s Investors Service, Inc.; Fitch, Inc.; and Dominion Bond Rating Service rates our debt. Our current ratings as assigned by each of the respective rating agencies are

below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. On February 2, 2012, Fitch downgraded our senior debt to BB- from BB and changed the outlook to negative. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements as well as impact elements of certain existing secured borrowing arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

Rising interest rates could also have an adverse impact on our business. For example, rising interest rates:

- will increase our cost of funds;
- may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;

may negatively impact our ability to remarket off-lease vehicles;

generally reduce our residential mortgage loan production as borrowers become less likely to refinance and the costs associated with acquiring a new home become more expensive; and

will generally reduce the value of mortgage and automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

Throughout 2009 and 2010 the credit risk embedded in the balance sheet was reduced as a result of asset sales, asset markdowns, and a change in the mix of our loan assets as the legacy portfolios were replaced with assets underwritten to tighter credit standards. This reduction in risk has resulted in a mix of assets outstanding on the balance sheet as of December 31, 2011, with a lower yielding profile than the prior-year period. During this same period of time we experienced a significant decline in our consumer automotive operating lease portfolio that was realizing higher yields from remarketing gains due to historically high used vehicle prices. The combination of the above factors resulted in a decline in asset yields more than the decline in liability rates, and therefore the decline in the net interest spread on the balance sheet throughout 2010 and into 2011.

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

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

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

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

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

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

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment and held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, MSRs, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for insurance losses and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates. It is difficult to determine the accuracy of our estimates and assumptions, and our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The soundness of other financial institutions could adversely affect us.

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

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

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

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

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

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

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

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

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

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

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issue shares of our common stock to Treasury upon conversion. By contrast, if the common stock public offering price were to increase by $1.00, then we will issue shares of our common stock to Treasury upon conversion and if the common stock public offering price were to decrease by $1.00, then we will issue shares of our common stock to Treasury upon conversion.

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

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

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

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

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

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

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

- Limiting the liability of our directors, and providing indemnification to our directors and officers; and

- Limiting the ability of our stockholders to call and bring business before special meetings.

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

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

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

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

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

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

- the perceived prospects for the auto finance and mortgage industries in general or for our company;
- differences between our actual financial and operating results and those expected by investors;
- changes in the share price of public companies with which we compete;
- news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- changes in our capital structure, such as future issuances of securities, repurchases of our common stock or our incurrence of debt;
- changes in general economic or market conditions;
- broad market fluctuations;
- regulatory actions or changes in applicable laws, rules or regulations;
- unfavorable or lack of published research by securities or industry analysts; and
- departure of key personnel.

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

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

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

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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USE OF PROCEEDS

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

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DIVIDEND POLICY

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

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

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CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2011, actual and pro forma to reflect:

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

- the -for-one stock split on shares of our common stock effected on , 2012.

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

	As of December 31, 2011	
	Actual	Pro forma
	($ in millions)	
Cash and cash equivalents	$ 13,035	$
Short-term borrowings	7,680	
Long-term debt (1)	92,794	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual and pro forma	1,021	
Series F-2 preferred stock, 118,750,000 shares issued and outstanding, actual and 0 shares issued and outstanding, pro forma (2)	5,685	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Tangible Equity Units, 0 units issued and outstanding, actual and units issued and outstanding, pro forma	0	
Common stock, $0.01 par value per share, 1,330,970 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital (2)	19,668	
Accumulated deficit (2)	(7,324)	
Accumulated other comprehensive income	87	
Total equity (2)	19,371	
Total capitalization	$ 119,845	$

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

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

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

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

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

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

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2011, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011 and 2010 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2008 and 2007 and the consolidated balance sheet data at December 31, 2009, 2008 and 2007 are derived from our audited consolidated financial statements not included in this prospectus.

	At and for the year ended December 31,				
	2011	2010	2009	2008	2007
	($ in millions)				
Financial statement data					
Statement of income data:					
Total financing revenue and other interest income	$ 9,736	$ 11,183	$ 12,772	$ 17,691	$ 21,459
Interest expense	6,223	6,666	7,091	10,266	13,421
Depreciation expense on operating lease assets	1,038	1,903	3,519	5,261	4,371
Impairment of investment in operating leases				1,192	
Net financing revenue	2,475	2,614	2,162	972	3,667
Total other revenue (a)	3,596	5,028	4,040	14,826	5,779
Total net revenue	6,071	7,642	6,202	15,798	9,446
Provision for loan losses	219	442	5,603	3,102	3,038
Total noninterest expense	5,785	6,061	7,508	7,983	7,881
Income (loss) from continuing operations before income tax expense (benefit)	67	1,139	(6,909)	4,713	(1,473)
Income tax expense (benefit) from continuing operations (b)	179	153	74	(150)	477
Net (loss) income from continuing operations	(112)	986	(6,983)	4,863	(1,950)
(Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
	(in millions, except per share data)				
Net income (loss) attributable to common shareholders					
Net income (loss) from continuing operations	$ (112)	$ 986	$ (6,983)	$ 4,863	$ (1,950)
Less: Preferred stock dividends U.S. Department of Treasury	534	963	855		
Less: Preferred stock dividends	260	282	370		192
Less: Impact of conversion of preferred stock and related amendment		616(c)			
Less: Impact of preferred stock amendment	(32)				
Net (loss) income from continuing operations attributable to common shareholders (a)	(874)	(875)	(8,208)	4,863	(2,142)
(Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Net (loss) income attributable to common shareholders	$ (919)	$ (786)	$ (11,523)	$ 1,868	$ (2,524)
Basic and diluted weighted-average common shares outstanding	1,330,970	800,597	529,392	108,884	101,331
	(per share data in whole dollars)				
Basic and diluted earnings per common share (d)					
Net (loss) income from continuing operations	$ (658)	$ (1,092)	$ (15,503)	$ 44,661	$ (21,143)
(Loss) income from discontinued operations, net of tax	(33)	111	(6,262)	(27,509)	(3,768)

Net (loss) income	$ (691)	$ (981)	$ (21,765)	$ 17,152	$ (24,911)

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	At and for the year ended December 31,				
	2011	2010	2009	2008	2007
	($ in millions)				
Pro forma data (e)					
Basic and diluted earnings per common share					
Net (loss) income from continuing operations					
Income (loss) from discontinued operations, net of tax					
Net (loss) income					
Basic and diluted weighted-average common shares outstanding					
Non-GAAP financial measures (f):					
Net (loss) income	$ (157)	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)
Add: Original issue discount amortization expense (g)	962	1,300	1,143	70	
Add: Income tax expense (benefit) from continuing operations	179	153	74	(150)	477
Less: Gain on extinguishment of debt related to the 2008 bond exchange				11,460	
Less: (Loss) income from discontinued operations, net of tax	(45)	89	(3,315)	(2,995)	(382)
Core pretax income (loss) (f)	$ 1,029	$ 2,439	$ (5,766)	$ (6,677)	$ (1,473)
Selected period-end balance sheet data:					
Total assets	$ 184,059	$ 172,008	$ 172,306	$ 189,476	$ 248,939
Long-term debt	$ 92,794	$ 86,612	$ 88,021	$ 115,935	$ 159,342
Preferred stock/interests (d)	$ 6,940	$ 6,972	$ 12,180	$ 6,287	$ 1,052
Total equity	$ 19,371	$ 20,489	$ 20,839	$ 21,854	$ 15,565
Financial ratios					
Efficiency ratio (h)	95.29%	79.31%	121.06%	50.53%	83.43%
Core efficiency ratio (h)	82.26%	67.78%	102.22%	181.10%	83.43%
Return on assets (i)					
Net (loss) income from continuing operations	(0.06)%	0.56%	(3.93)%	2.57%	(0.78)%
Net (loss) income	(0.09)%	0.61%	(5.79)%	0.99%	(0.94)%
Core pretax income (loss)	0.57%	1.38%	(3.24)%	(3.52)%	(0.59)%
Return on equity (i)					
Net (loss) income from continuing operations	(0.56)%	4.76%	(28.79)%	22.25%	(12.53)%
Net (loss) income	(0.78)%	5.19%	(42.46)%	8.55%	(14.98)%
Core pretax income (loss)	5.10%	11.78%	(23.78)%	(30.55)%	(9.46)%
Equity to assets (i)	11.15%	11.72%	13.63%	11.53%	6.25%
Net interest spread (i)(j)	1.07%	1.26%	0.73%	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.79%	2.32%	1.75%	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.57%	1.81%	1.43%	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.15%	2.65%	2.18%	(k)	(k)
Regulatory capital ratios					
Tier 1 capital (to risk-weighted assets) (m)	13.71%	15.00%	14.15%	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	14.75%	16.36%	15.55%	(k)	(k)
Tier 1 leverage (to adjusted quarterly average assets) (o)	11.50%	13.05%	12.70%	(k)	(k)
Total equity	$ 19,371	$ 20,489	$ 20,839	(k)	(k)
Goodwill and certain other intangibles	(493)	(532)	(534)	(k)	(k)
Unrealized gains and other adjustments	(262)	(309)	(447)	(k)	(k)
Trust preferred securities	2,542	2,541	2,540	(k)	(k)
Tier 1 capital (m)	21,158	22,189	22,398	(k)	(k)
Preferred equity	(6,940)	(6,971)	(12,180)	(k)	(k)
Trust preferred securities	(2,542)	(2,541)	(2,540)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 11,676	12,677	7,678	(k)	(k)
Risk-weighted assets (q)	$ 154,308	$ 147,964	$ 158,314	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	7.57%	8.57%	4.85%	(k)	(k)

(a) Total other revenue for 2008 includes $12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.

(b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of $1.2 billion was established through income tax expense. Refer to Note 25 to the Consolidated Financial Statements for additional information regarding our change in tax status.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $184 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We are also one of the largest residential mortgage companies in the United States. We became a bank holding company on December 24, 2008, under the 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, with $39.6 billion of deposits at December 31, 2011. Ally Bank s assets and operating results are divided between our Global Automotive Services and Mortgage operations based on its underlying business activities.

Our Business

Global Automotive Services

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

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

We have a longstanding relationship with General Motors Company (GM) and have developed strong relationships directly with GM-franchised dealers as well as gained extensive operating experience with GM-franchised dealers relative to other automotive finance companies. Since GM sold a majority interest in us in 2006, we have transformed ourselves to a market-driven independent automotive finance company. We are the preferred financing provider to GM and Chrysler Group LLC (Chrysler) on incentivized retail loans. During 2010, Chrysler also selected Ally to be the preferred financing provider for Fiat vehicles in the United States. We have further diversified our customer base by establishing agreements to become preferred financing providers with other manufacturers including Thor Industries (for the United States), Maserati (for the United States and Canada), MG Motor UK Ltd (in the United Kingdom), The Vehicle Production Group LLC (for the United States) and SsangYoung Motor UK Ltd (in the United Kingdom). Currently, a significant portion of our business is originated through GM- and Chrysler-franchised dealers and their customers.

During 2009 and much of 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Ally however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have gradually increased volumes in lower credit tiers in 2011. We have also selectively re-entered the leasing market with a more targeted product approach since late 2009.

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We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs. We also expect growth in consumer applications to moderate to some degree given the significant growth of consumer applications experienced in 2011 following the addition of a new credit aggregation network in DealerTrack, which provides access to a more expansive universe of dealers.

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

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, and maintenance coverage. We also underwrite selected commercial insurance coverage, which primarily insures dealers wholesale vehicle inventory in the United States. Additionally, our Insurance operations offer Guaranteed Automobile Protection (GAP) products in the United States and personal automobile insurance coverage in certain countries outside of the United States.

Mortgage

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

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

Our Legacy Portfolio and Other operations primarily consist of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, and cash held in the Residential Capital, LLC (ResCap) legal entity. These activities, all of which we have discontinued, include, among other things: lending to real estate developers and homebuilders in the United States and the United Kingdom; purchasing, selling and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally; and certain conforming origination channels closed in 2008 and our mortgage reinsurance business.

We re-aligned our business model to focus on our Origination and Servicing operations in response to market developments and based on our ongoing strategic review of the mortgage business. We have substantially eliminated nonconforming U.S. and international loan production (with the exception of U.S. prime jumbo mortgage loans) and currently have correspondent, direct, and warehouse lending as our primary channels of production as opposed to high cost retail branch offices. On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel; however, we will maintain correspondent relationships with key customers. This reduction will allow us to shift our focus and origination capacity to our retail and direct network channel. As a result, we believe our exposure to mortgage servicing rights (MSR) asset volatility will decrease over time, and we will be better positioned to comply with Basel III requirements. This change is

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also expected to result in a decrease in total origination levels in 2012 as compared to 2011. After consideration of our experience to-date and the shift in focus to the higher margin retail and direct channels, overall profitability is not expected to be significantly impacted if we are able to increase our retail and direct production volume due to government refinance programs. We will continue to evaluate this business in the future and further reductions in the correspondent channel could occur. Our origination platforms deliver products that have liquid market distribution and sales outlets and are structured to respond quickly as market conditions change. We have also consolidated our servicing operations to streamline our costs and align ourselves to capture future opportunities as mortgage servicing markets reform.

Additionally, we have implemented several strategic initiatives to reduce the risk related to our Legacy Portfolio and Other operations. These actions have included, but are not limited to, restructuring of ResCap debt in 2008, moving mortgage loans held-for-investment to held-for sale in 2009 while recording appropriate market value adjustments, the sale of legacy business platforms including our international operations in the United Kingdom and continental Europe, and other targeted asset dispositions including domestic and international mortgage loans and commercial finance receivables and loans. The consolidated assets of our Legacy Portfolio and Other operations have decreased to $10.9 billion at December 31, 2011, from $32.9 billion at December 31, 2008, due to these actions.

Mortgage loan origination volume is driven by the volume of home sales, prevailing interest rates, and our underwriting standards. Our mortgage origination volume in 2011 was primarily driven by refinancings that were influenced by historically low interest rates. Our focus in 2012 and future periods will be on sustaining our position as a leading servicer of conforming and government-insured residential mortgage loans. Additionally, we plan to continue to manage and reduce mortgage business risk.

On February 9, 2012, we reached an agreement in principle with the federal government and 49 state attorneys general with respect to certain foreclosure-related matters, which resulted in our Mortgage operations recording a $230 million charge in the fourth quarter of 2011. This charge reflects a $40 million reduction in the foreclosure related expense accrual that was previously announced on February 2, 2012, as part of our 2011 year-end earnings release. The charge increased our accrued expenses and other liabilities by $223 million and increased our allowance for servicer advances within other assets by $7 million on our Consolidated Balance Sheet at December 31, 2011. ResCap recorded $212 million of the $230 million penalty.

ResCap is required to maintain consolidated tangible net worth, as defined, of $250 million at the end of each month, under the terms of certain of its credit facilities. For this purpose, consolidated tangible net worth is defined as ResCap s consolidated equity excluding intangible assets. As a result of the fourth quarter charge, ResCap s consolidated tangible net worth was $92 million at December 31, 2011, and was therefore temporarily reduced to below $250 million. This was, however, immediately remediated by Ally through a capital contribution of $197 million, which was provided through forgiveness of intercompany debt during January 2012. Notwithstanding the immediate cure, the temporary reduction in tangible net worth resulted in a covenant breach in certain of ResCap s credit facilities as of December 31, 2011. ResCap has obtained waivers from all applicable lenders with respect to this covenant breach and an acknowledgment letter from a GSE indicating they would take no immediate action as a result of the breach. In the future Ally may choose not to remediate any further breaches of covenants. There can be no assurances for further capital support.

Corporate and Other

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

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Loss from continuing operations before income tax expense for Corporate and Other was $1.9 billion and $2.6 billion for the years ended December 31, 2011 and 2010, respectively. These losses were primarily driven by net financing losses of $1.7 billion and $2.1 billion for the years ended December 31, 2011 and 2010, respectively. The net financing losses at Corporate and Other are largely driven by the amortization of original issue discount, primarily related to our 2008 bond exchange, and the net financing loss that results from our FTP methodology.

The net financing revenue of our Global Automotive Services and Mortgage operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Global Automotive Services and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components is used to allocate equity to these operations.

The negative residual impact of our FTP methodology that is realized in Corporate and Other primarily represents the cost of certain funding and liquidity management activities not allocated through our FTP methodology. Most notably, the net interest expense of maintaining our liquidity and investment portfolios, the value of which was approximately $22.8 billion at December 31, 2011, is maintained in Corporate and Other and not allocated to the businesses through our FTP methodology. In addition, other unassigned funding costs, including the results of our ALM activities, are also not allocated to the businesses.

Ally Bank

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

Ally Bank offers a full spectrum of deposit product offerings including certificates of deposits, savings accounts, money market accounts, IRA deposit products, and an online checking product. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2011, Ally Bank had $39.6 billion of deposits, including $27.7 billion of retail deposits. The growth of our retail base from $7.2 billion at the end of 2008 to $27.7 billion at December 31, 2011, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

Funding and Liquidity

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

- Public unsecured debt capital markets;
- Asset-backed securitizations, both public and private;
- Asset sales;

- Committed and uncommitted credit facilities; and

- Brokered and retail deposits.

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

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

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2011, deposit liabilities totaled $45.1 billion, which constituted 31% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2011, we issued $9.3 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. Historically, the unsecured term debt markets were a key source of long-term financing for us. However, given our ratings profile and market environment, during the second half of 2007 and throughout 2008 and 2009 we chose not to target transactions in the unsecured term debt markets due to the expected high market rates and alternative funding sources. In 2010, we re-entered the unsecured term debt market with several issuances that year. In the first half of 2011, we issued over $3.7 billion of unsecured debt globally through several issuances. However, in the second half of 2011, we chose not to issue unsecured term debt given the extreme market volatility and expected high cost of issuance. At December 31, 2011, we had $12.0 billion and $2.3 billion of outstanding unsecured long-term debt with maturities in 2012 and 2013, respectively. To fund these maturities, we expect to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuance.

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The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was $26.9 billion, and Ally Bank had $10.0 billion of available liquidity at December 31, 2011. For discussion purposes within the funding and liquidity section, parent company includes our consolidated operations less our Insurance operations, ResCap, and Ally Bank. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 178 basis points since the first quarter of 2009. Looking forward, given our enhanced liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

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

During 2011, we continued to recognize improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and modest improvement in the overall economic environment. We discontinued and sold multiple nonstrategic operations, mainly in our international businesses, including our commercial construction portfolio. Within our Automotive Finance operations, we exited certain underperforming dealer relationships. Within our Mortgage operations, we have taken action to reduce the focus on the correspondent mortgage-lending channel; however, we will maintain correspondent relationships with key customers.

During the year ended December 31, 2011, the credit performance of our portfolios improved overall as we benefited from lower frequency and severity of losses within our automotive portfolios and stabilization of asset quality trends within our mortgage portfolios. Nonperforming loans and charge-offs declined, and our provision for loan losses decreased to $219 million in 2011 from $442 million in 2010.

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

Representation and Warranty Obligations

We continue to make progress in mitigating repurchase reserve exposure through ongoing settlement discussions with key counterparties and ongoing maintenance of an appropriate reserve for representation and warranty obligations associated with certain mortgage companies (Mortgage Companies) within our Mortgage operations. We seek to manage the risk of repurchase or indemnification and the associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan s performance. Our representation and warranty expense decreased to $324 million in 2011 from $670 million in 2010. The repurchase reserve of $825 million at December 31, 2011, primarily represents exposure unrelated to the GSEs, as we have reached agreements with both Freddie Mac and Fannie Mae, subject to certain exclusions, limiting the remaining exposure of the applicable Mortgage Companies to these counterparties.

Outstanding claims during 2011 have remained relatively constant with GSE claim activity declining compared to 2010 while monoline and other claims activity have increased. Increased claims from monolines reflect activity still under review. Typically, the obligations under representation and warranties provided to monolines and other whole-loan investors are not as comprehensive as those to the GSEs. As such, we believe a significant portion of these claims are ineligible for repurchase or indemnification. As a result of market developments over the past several years, repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in their life cycle. Investors are more likely to submit claims for loans that become delinquent at any time while a loan is outstanding or when a loan incurs a loss.

Bank Holding Company and Treasury s Investments

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

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

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

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

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On December 30, 2010, Treasury converted 110 million shares of New MCP (with a total liquidation preference of approximately $5.5 billion) into 531,850 shares of additional Ally common stock. The conversion reduces dividends by approximately $500 million per year, assists with capital preservation, and is expected to improve profitability with a lower cost of funds.

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

Following the transactions described above, Treasury currently holds 73.8% of Ally common stock and approximately $5.9 billion in New MCP. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Ally Board of Directors.

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

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

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

The following table summarizes Treasury s investment in Ally at December 31, 2011.

	December 31, 2011 Book Value	Face Value
	($ in millions)	
MCP (a)	**$ 5,685**	**$ 5,938**
Common equity (b)		**73.8%**

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

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

Discontinued Operations

During 2009, 2010, and 2011, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage Legacy Portfolio and Other operations, and Commercial Finance Group, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details.

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Primary Lines of Business

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Total net revenue (loss)					
Global Automotive Services					
North American Automotive Finance operations	$ 3,588	$ 4,011	$ 3,831	(11)	5
International Automotive Finance operations	901	894	823	1	9
Insurance operations	1,867	2,240	2,144	(17)	4
Mortgage					
Origination and Servicing operations	933	1,773	976	(47)	82
Legacy Portfolio and Other operations	286	865	(52)	(67)	n/m
Corporate and Other	(1,504)	(2,141)	(1,520)	30	(41)
Total	$ 6,071	$ 7,642	$ 6,202	(21)	23
Income (loss) from continuing operations before income tax expense					
Global Automotive Services					
North American Automotive Finance operations	$ 2,106	$ 2,344	$ 1,624	(10)	44
International Automotive Finance operations	210	205	(102)	2	n/m
Insurance operations	407	562	321	(28)	75
Mortgage					
Origination and Servicing operations	(347)	920	43	(138)	n/m
Legacy Portfolio and Other operations	(402)	(267)	(6,305)	(51)	96
Corporate and Other	(1,907)	(2,625)	(2,490)	27	(5)
Total	$ 67	$ 1,139	$ (6,909)	(94)	116

n/m = not meaningful

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Consolidated Results of Operations

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

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing revenue					
Total financing revenue and other interest income	$ 9,736	$ 11,183	$ 12,772	(13)	(12)
Interest expense	6,223	6,666	7,091	7	6
Depreciation expense on operating lease assets	1,038	1,903	3,519	45	46
Net financing revenue	2,475	2,614	2,162	(5)	21
Other revenue					
Net servicing income	569	1,099	363	(48)	n/m
Insurance premiums and service revenue earned	1,573	1,750	1,861	(10)	(6)
Gain on mortgage and automotive loans, net	470	1,261	799	(63)	58
(Loss) gain on extinguishment of debt	(64)	(123)	665	48	(118)
Other gain on investments, net	294	504	162	(42)	n/m
Other income, net of losses	754	537	190	40	183
Total other revenue	3,596	5,028	4,040	(28)	24
Total net revenue	6,071	7,642	6,202	(21)	23
Provision for loan losses	219	442	5,603	50	92
Noninterest expense					
Compensation and benefits expense	1,574	1,576	1,517		(4)
Insurance losses and loss adjustment expenses	713	820	992	13	17
Other operating expenses	3,498	3,665	4,999	5	27
Total noninterest expense	5,785	6,061	7,508	5	19
Income (loss) from continuing operations before income tax expense	67	1,139	(6,909)	(94)	116
Income tax expense from continuing operations	179	153	74	(17)	(107)
Net (loss) income from continuing operations	$ (112)	$ 986	$ (6,983)	(111)	114

n/m = not meaningful

2011 Compared to 2010

We incurred a net loss from continuing operations of $112 million for the year ended December 31, 2011, compared to net income from continuing operations of $986 million for the year ended December 31, 2010. Continuing operations for the year ended December 31, 2011, was unfavorably impacted by a decrease in net servicing income due to a drop in interest rates and increased market volatility, lower gains on the sale of loans, and a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. Partially offsetting the decrease was lower representation and warranty expense and a lower provision for loan losses.

Total financing revenue and other interest income decreased by 13% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and the related depreciation expense at our Automotive Finance operations declined due to a lower average operating lease portfolio balance as a result of our decision in late 2008 to significantly curtail leasing. Depreciation expense was also impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease in our Mortgage Legacy Portfolio and Other

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operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the decrease was an increase in consumer financing revenue at our North American Automotive operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention.

Interest expense decreased 7% for the year ended December 31, 2011, compared to 2010, primarily as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Net servicing income was $569 million for the year ended December 31, 2011, compared to $1.1 billion in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

Insurance premiums and service revenue earned decreased 10% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 63% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower margins on mortgage loan sales, a decrease in mortgage loan production, lower whole-loan mortgage sales and mortgage loan resolutions in 2011, the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization, and the expiration of our automotive forward flow agreements during the fourth quarter of 2010.

We incurred a loss on extinguishment of debt of $64 million for the year ended December 31, 2011, compared to a loss of $123 million for the year ended December 31, 2010. The activity in all periods related to the extinguishment of certain Ally debt, which included $50 million of accelerated amortization of original issue discount for the 2011, compared to $101 million in 2010.

Other gain on investments was $294 million for the year ended December 31, 2011, compared to $504 million in 2010. The decrease was primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 40% for the year ended December 31, 2011, compared to 2010. The increase during 2011 was primarily due to the positive impact of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a favorable change in the fair value option election adjustment.

The provision for loan losses was $219 million for the year ended December 31, 2011, compared to $442 million in 2010. The decrease during 2011 reflected improved credit quality of the overall portfolio and the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 13% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower frequency and severity experienced within our international Insurance business and the sale of certain international operations during the fourth quarter of 2010. The decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

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Other operating expenses decreased 5% for the year ended December 31, 2011, compared to 2010. The decrease was primarily related to lower mortgage representation and warranty reserve expense of $346 million, lower insurance commissions expense, and lower vehicle remarketing and repossession expense. The decrease was partially offset by a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters.

We recognized consolidated income tax expense of $179 million for the year ended December 31, 2011, compared to $153 million in 2010. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense is driven by foreign income taxes on pretax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted. The increase in income tax expense for 2011, compared to 2010, was driven by increased pretax income in our foreign operations, partially offset by a $101 million reversal of valuation allowance in Canada related to modifications to the legal structure of our Canadian operations.

2010 Compared to 2009

We earned net income from continuing operations of $986 million for the year ended December 31, 2010, compared to a net loss from continuing operations of $7.0 billion for the year ended December 31, 2009. Continuing operations for the year ended December 31, 2010, were favorably impacted by our strategic mortgage actions taken during 2009 to stabilize our consumer and commercial portfolios that resulted in a significant decrease in our provision for loan losses and our continued focus on cost reduction resulted in lower operating expenses. The year ended December 31, 2010, was also favorably impacted by an increase in net servicing income; higher gains on the sale of loans; and lower impairments on equity investments, lot option projects, model homes, and foreclosed real estate.

Total financing revenue and other interest income decreased by 12% for the year ended December 31, 2010, compared to 2009. Our International Automotive Finance operations experienced lower consumer and commercial asset levels due to adverse business conditions in Europe and the runoff of wind-down portfolios in certain international countries as we shifted our focus to five core international markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture. A decline in asset levels in our Mortgage Legacy Portfolio and Other operations resulted from asset sales and portfolio runoff. Operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations decreased as a result of a net decline in the size of our operating lease portfolio due to our decision in late 2008 to significantly curtail leasing. The decrease was partially offset by lease portfolio remarketing gains due to strong used vehicle prices and higher remarketing volume as well as an increase in consumer and commercial financing revenue related to the addition of non-GM automotive financing business.

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

Net servicing income was $1.1 billion for the year ended December 31, 2010, compared to $363 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher Home Affordable Modification Program (HAMP) loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

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

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Gain on mortgage and automotive loans increased 58% for the year ended December 31, 2010, compared to 2009. The increase was primarily related to unfavorable valuation adjustments taken during 2009 on our held-for-sale automobile loan portfolios, higher gains on mortgage whole-loan sales and securitizations in 2010 compared to 2009, higher gains on mortgage loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. The increase was partially offset by gains on the sale of wholesale automotive financing receivables during 2009 as there were no off-balance sheet wholesale funding transactions during 2010.

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

Other gain on investments was $504 million for the year ended December 31, 2010, compared to $162 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning and the sale of our tax-exempt securities portfolio. During the year ended December 31, 2009, we recognized other-than-temporary impairments of $55 million.

Other income, net of losses, increased 183% for the year ended December 31, 2010, compared to 2009. The improvement in 2010 was primarily related to the absence of loan origination income deferral due to the fair value option election for our held-for-sale loans during the third quarter of 2009 and the impact of significant impairments recognized in 2009. In 2009, we recorded impairments on equity investments, lot option projects, model homes, and an $87 million fair value impairment upon the transfer of our resort finance portfolio from held-for-sale to held-for-investment. Also in 2010, we recognized gains on the sale of foreclosed real estate compared to losses and impairments in 2009.

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

Insurance losses and loss adjustment expenses decreased 17% for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by lower loss experience in our Mortgage Legacy Portfolio and Other operations captive reinsurance portfolio.

Other operating expenses decreased 27% for the year ended December 31, 2010, compared to 2009, reflecting our continued expense reduction efforts. The improvements were primarily due to lower mortgage representation and warranty expenses, reduced professional service expenses, lower technology and communications expense, lower full-service leasing vehicle maintenance costs, lower insurance commissions, and lower advertising and marketing expenses for the year ended December 31, 2010.

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

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

Global Automotive Services

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

Automotive Finance Operations

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

Consumer Automotive Financing

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

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

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

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adjusted as a marketing incentive if the manufacturer or Ally considers above-market residual support necessary to encourage consumers to lease vehicles.

Our standard U.S. leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle.

During 2011, we expanded the Ally Buyer s Choice product on new GM and Chrysler vehicles from Canada to select states in the United States. The Ally Buyer s Choice financing product allows customers to own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Consumer automobile leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. North American operating lease accounts past due over 30 days represented 0.67% and 2.36% of the total portfolio at December 31, 2011 and 2010, respectively. We selectively re-entered the U.S. leasing market in 2009 and have continued to support lease volumes since that time.

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

The consumer financing revenue of our Automotive Finance operations totaled $4.0 billion, $3.4 billion, and $3.1 billion in 2011, 2010, and 2009, respectively.

Consumer Automotive Financing Volume

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

	Ally consumer automotive financing volume			% Share of consumer sales		
Year ended December 31, ***(units in thousands)***	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
GM new vehicles						
North America	779	694	488	38	40	27
International (excluding China) (a)	360	299	272	28	22	20
China (b)	134	119	74	12	11	11
Total GM new units financed	1,273	1,112	834			
Chrysler new vehicles						
North America	330	322	64	29	38	8
International (excluding China)	1	1				
Total Chrysler new units financed	331	323	64			
Other non-GM / Chrysler new vehicles						
North America	69	33	10			
International (excluding China)	3	4	4			
China (b)	104	89	33			
Total other non-GM / Chrysler new units financed	176	126	47			
Used vehicles						
North America	476	269	142			
International (excluding China)	38	25	22			

China (b)	1		
Total used units financed	515	294	164
Total consumer automotive financing volume	2,295	1,855	1,109

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

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

Growth in consumer automotive financing volume in 2011, compared to 2010, was primarily driven by higher industry sales. Additionally, the increase in volume during 2011 reflects our continued focus on the used vehicle and diversified markets, as well as lease-related volume. The penetration during 2011 reflects a competitive market environment and a return to normalized levels. The decrease in Chrysler penetration is related to a reduction in automotive manufacturer rate incentive programs. The improved penetration levels for our International operations reflect aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns, the reintroduction of products, and more competitive pricing.

Manufacturer Marketing Incentives

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

GM historically provided lease residual support to provide incentives on leased vehicles by supporting an above-market residual value, referred to as residual support, to encourage consumers to lease vehicles. Residual support results in a lower monthly lease payment for the consumer. We may bear a portion of the risk of loss to the extent the value of the lease vehicle upon remarketing is below the projected residual value of the vehicle at the time the lease contract is signed. Under these programs, GM reimburses us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates. To the extent remarketing sales proceeds are more than the contract residual at termination, we reimburse GM for its portion of the higher residual value.

In addition to the residual support arrangement for leases originated prior to 2009, GM also participates in a risk-sharing arrangement whereby GM shares equally in residual losses to the extent that remarketing proceeds are below our standard residual rates (limited to a floor). Over the past several years, our automotive manufacturing partners have primarily supported leasing products through rate support programs.

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

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

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through November 2016, and in consideration for this, Ally paid to GM an annual exclusivity fee and was required to meet certain targets with respect to consumer retail and lease financings of new GM vehicles.

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

On August 6, 2010, we entered into an agreement with Chrysler to be the preferred provider of financial services for Chrysler vehicles. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We provide retail financing to Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion. Chrysler is obligated to provide us with certain exclusivity privileges including the use of Ally for designated minimum threshold percentages of certain of Chrysler s retail financing subvention programs. The agreement extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal. As a result, our agreement with Chrysler will be automatically extended through April 30, 2014, unless Chrysler notifies us of nonrenewal on or before April 30, 2012, in which case, the agreement would expire on April 30, 2013.

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

Year ended December 31,	2011	2010	2009
GM subvented volume in North America			
As % of GM North American new retail and lease volume acquired by Ally	53%	51%	69%
As % of total North American new and used retail and lease volume acquired by Ally	25%	27%	48%
GM subvented International (excluding China) volume (a)			
As % of GM International new retail and lease volume acquired by Ally	68%	55%	67%
As % of total International new and used retail and lease volume acquired by Ally	61%	50%	61%
GM subvented volume in China (b)			
As % of GM China new retail and lease volume acquired by Ally	12%	14%	1%
As % of total China new and used retail and lease volume acquired by Ally	7%	8%	1%

(a) Represents subvention for continuing operations only.

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

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

Year ended December 31,	2011	2010	2009
Chrysler subvented volume in North America			
As % of Chrysler North American new retail and lease volume acquired by Ally	52%	57%	39%
As % of total North American new and used retail and lease volume acquired by Ally	10%	14%	4%

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At December 31, 2011, the percentage of North American new retail contracts acquired that included rate subvention from GM increased compared to 2010 primarily due to increases in manufacturer marketing incentives during the first half of 2011. International retail contracts acquired that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets. North American retail contracts acquired that included rate subvention from Chrysler decreased as a percentage of total new retail contracts acquired as compared to 2010 due to a shift towards non-rate incentive programs.

Servicing

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

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

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

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

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. If the customer s financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2008, only 11.0% of the extended or rewritten balances were subsequently charged off through December 31, 2011. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2011, 7.2% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

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Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2011 and 2010, our total consumer automotive serviced portfolio was $85.6 billion and $78.8 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of $73.2 billion and $60.4 billion at December 31, 2011 and 2010, respectively. Refer to Note 12 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

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

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

Year ended December 31,	**2011**	**2010**	**2009**
Auction			
Internet	61%	60%	57%
Physical	16%	18%	25%
Sale to dealer	12%	12%	11%
Other (including option exercised by lessee)	11%	10%	7%

We primarily sell our off-lease vehicles through:

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

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

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Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers purchases of new and used vehicles. During 2011, we financed an average of $21.1 billion of new GM vehicles, representing a 79% share of GM s North American dealer inventory and a 78% share of GM s international dealer inventory in countries where GM operates and we had dealer inventory financing, excluding China. We also financed an average of $7.6 billion of new Chrysler vehicles representing a 65% share of Chrysler s North American dealer inventory. In addition, we financed an average of $2.2 billion of new non-GM/Chrysler vehicles and used vehicles of $3.4 billion.

On August 6, 2010, we entered into an agreement with Chrysler regarding automotive financing products and services for Chrysler dealers. The agreement replaced and superseded the legally binding term sheet that we entered into with Chrysler on April 30, 2009, which contemplated this definitive agreement. We are Chrysler s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, Mexico, and other international markets upon the mutual agreement of the parties. We provide dealer financing and services to Chrysler dealers as we deem appropriate according to our credit policies and in our sole discretion. The agreement extends through April 30, 2013, with automatic one-year renewals unless either we or Chrysler provides sufficient notice of nonrenewal. As a result, our agreement with Chrysler will be automatically extended through April 30, 2014, unless Chrysler notifies us of nonrenewal on or before April 30, 2012, in which case, the agreement would expire on April 30, 2013.

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

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

The commercial wholesale revenue of our Automotive Finance operations totaled $1.5 billion, $1.4 billion, and $1.2 billion in 2011, 2010, and 2009, respectively.

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Commercial Wholesale Financing Volume

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

	Average balance			% Share of dealer inventory		
Year ended December 31, *($ in millions)*	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
GM new vehicles						
North America (a)	$ 15,810	$ 14,948	$ 17,107	79	84	84
International (excluding China) (b)(c)	3,969	3,437	3,659	78	82	91
China (b) (d)	1,287	1,075	573	81	81	80
Total GM new vehicles financed	21,066	19,460	21,339			
Chrysler new vehicles						
North America (a)	7,614	5,793	1,762	65	71	25
International	22	38	27			
Total Chrysler new vehicles financed	7,636	5,831	1,789			
Other non-GM / Chrysler new vehicles						
North America	2,078	1,951	1,741			
International (excluding China)	120	94	94			
China (d)			5			
Total other non-GM / Chrysler new vehicles financed	2,198	2,045	1,840			
Used vehicles						
North America	3,206	3,044	2,401			
International (excluding China)	160	85	142			
Total used vehicles financed	3,366	3,129	2,543			
Total commercial wholesale finance receivables	$ 34,266	$ 30,465	$ 27,511			

(a) Share of dealer inventory based on a 13 month average of dealer inventory (excludes in-transit units).

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

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

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

Commercial wholesale financing average volume increased during 2011, compared to 2010, primarily due to increasing global automotive sales and the corresponding increase in dealer inventories in virtually every market. North American GM and Chrysler wholesale penetration decreased for the year ended December 31, 2011, compared to 2010, due to increased competition in the wholesale financing marketplace.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and are personally guaranteed by the individual owners of the dealership. Automotive fleet

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financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others.

Servicing and Monitoring

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

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

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

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North American Automotive Finance Operations

Results of Operations

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Net financing revenue					
Consumer	$ 2,831	$ 2,339	$ 1,804	21	30
Commercial	1,325	1,425	1,136	(7)	25
Loans held-for-sale	5	112	320	(96)	(65)
Operating leases	2,283	3,570	5,408	(36)	(34)
Other interest income	106	149	269	(29)	(45)
Total financing revenue and other interest income	6,550	7,595	8,937	(14)	(15)
Interest expense	2,367	2,377	2,363		(1)
Depreciation expense on operating lease assets	1,028	1,897	3,500	46	46
Net financing revenue	3,155	3,321	3,074	(5)	8
Other revenue					
Servicing fees	161	226	238	(29)	(5)
Gain on automotive loans, net	48	249	220	(81)	13
Other income	224	215	299	4	(28)
Total other revenue	433	690	757	(37)	(9)
Total net revenue	3,588	4,011	3,831	(11)	5
Provision for loan losses	93	286	611	67	53
Noninterest expense					
Compensation and benefits expense	434	387	435	(12)	11
Other operating expenses	955	994	1,161	4	14
Total noninterest expense	1,389	1,381	1,596	(1)	13
Income before income tax expense	$ 2,106	$ 2,344	$ 1,624	(10)	44
Total assets	$ 96,971	$ 81,893	$ 68,282	18	20
Operating data					
Retail originations	$ 36,528	$ 31,471	$ 19,519	16	61
Lease originations	7,316	3,888	259	88	n/m

n/m = not meaningful

2011 Compared to 2010

Our North American Automotive Finance operations earned income before income tax expense of $2.1 billion for the year ended December 31, 2011, compared to $2.3 billion for the year ended December 31, 2010. Results for the year ended December 31, 2011, were primarily driven by less favorable remarketing results in our operating lease portfolio, due primarily to lower lease terminations and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. These declines were partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to improvement in automotive industry sales, the growth in used automobile financings, and a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

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Consumer financing revenue increased 21% for the year ended December 31, 2011, compared to 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention. Additionally, we continue to prudently expand our nonprime origination volume and introduce innovative finance products to the marketplace. The increase in consumer revenue was partially offset by lower yields as a result of an increasingly competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

Loans held-for-sale financing revenue decreased $107 million for the year ended December 31, 2011, compared to 2010, due to the expiration of forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions.

Operating lease revenue decreased 36% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and depreciation expense declined due to a lower average operating lease portfolio balance. Depreciation expense was also impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008 and 2009, we significantly curtailed our lease product offerings in the United States and Canada. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Servicing fee income decreased $65 million for the year ended December 31, 2011, compared to 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of our forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased $201 million for the year ended December 31, 2011, compared to 2010, primarily due to the expiration of our forward flow agreements during the fourth quarter of 2010. In prior years, we have opportunistically utilized whole-loan sales as part of our funding strategy; however, during 2011, we have primarily utilized deposit funding and on-balance sheet funding transactions.

The provision for loan losses was $93 million for the year ended December 31, 2011, compared to $286 million in 2010. The decrease was primarily due to improved credit quality that drove improved loss performance in the consumer loan portfolio, continued runoff of our Nuvell nonprime consumer portfolio, and continued strength in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

2010 Compared to 2009

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

Consumer financing revenue (combined with interest income on consumer loans held-for-sale) increased 15% during the year ended December 31, 2010, primarily due to an increase in consumer loan origination volume as a result of improved economic conditions and increased volume from non-GM channels. Additionally, consumer asset levels increased due to the consolidation of consumer loans included in securitization transactions that were previously classified as off-balance sheet. Refer to Note 11 to the Consolidated Financial Statements for further information regarding the consolidation of these assets. The increase was partially offset by a change in the consumer asset mix including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

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Commercial revenue increased 25%, compared to the year ended December 31, 2009, primarily due to an increase in dealer wholesale funding driven by improved economic conditions, the growth of non-GM wholesale floorplan business, and the recognition of all wholesale funding transactions on-balance sheet in 2010 compared to certain transactions that were off-balance sheet in 2009.

Operating lease revenue (along with the related depreciation expense) decreased 12% for the year ended December 31, 2010, compared to 2009, primarily due to a decline in the size of our operating lease portfolio resulting from our decision in late 2008 to significantly curtail leasing. This decision was based on the significant decline in used vehicle prices that resulted in increasing residual losses during 2008 and an impairment of our lease portfolio. During the latter half of 2009, we selectively re-entered the U.S. leasing market with more targeted lease product offerings. As a result, runoff of the legacy portfolio exceeded new origination volume. The decrease in operating lease revenue was largely offset by an associated decline in depreciation expense, which was also favorably impacted by remarketing gains as a result of continued strength in the used vehicle market and higher remarketing volume.

Other interest income decreased 45% for the year ended December 31, 2010, compared to 2009, primarily due to a change in funding mix including lower levels of off-balance sheet securitizations.

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

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

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

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

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International Automotive Finance Operations

Results of Operations

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Net financing revenue					
Consumer	$ 1,193	$ 1,075	$ 1,271	11	(15)
Commercial	422	379	490	11	(23)
Loans held-for-sale		15	2	(100)	n/m
Operating leases	15	21	25	(29)	(16)
Other interest income	92	59	55	56	7
Total financing revenue and other interest income	1,722	1,549	1,843	11	(16)
Interest expense	1,050	885	1,118	(19)	21
Depreciation expense on operating lease assets	10	10	18		44
Net financing revenue	662	654	707	1	(7)
Other revenue					
Gain (loss) on automotive loans, net		21	(76)	(100)	128
Other income	239	219	192	9	14
Total other revenue	239	240	116		107
Total net revenue	901	894	823	1	9
Provision for loan losses	65	54	230	(20)	77
Noninterest expense					
Compensation and benefits expense	172	155	183	(11)	15
Other operating expenses	454	480	512	5	6
Total noninterest expense	626	635	695	1	9
Income (loss) from continuing operations before income tax expense	$ 210	$ 205	$ (102)	2	n/m
Total assets	$ 15,505	$ 15,979	$ 21,802	(3)	(27)
Operating data					
Consumer originations (a) (b)	$ 9,427	$ 7,612	$ 5,710	24	33

n/m = not meaningful

(a) Represents consumer originations for continuing operations only.

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

2011 Compared to 2010

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $210 million during the year ended December 31, 2011, compared to $205 million during the year ended December 31, 2010. Results for 2011 were favorably impacted by movements in foreign-currency exchange rates on the consumer portfolio and strong consumer loan originations in Brazil, partially offset by an increase in compensation and benefits expense and an increase in provision for loan losses.

Total financing revenue and other interest income increased 11% for the year ended December 31, 2011, compared to 2010, primarily due to movements in foreign-currency exchange rates on the consumer portfolio and strong consumer loan originations.

Interest expense increased 19% for the year ended December 31, 2011, compared to 2010, primarily due to an increase in funding costs, movement in foreign-currency exchange rates, and growing asset balances in Brazil.

Net gain on automotive loans decreased $21 million for the year ended December 31, 2011, compared to 2010. The decrease is attributable to the partial release of the lower-of-cost or market adjustments on loans held-for-sale in 2010.

Other income increased 9% for the year ended December 31, 2011, compared to 2010, primarily due to higher earnings from the China joint venture in 2011 driven by an increase in originations.

The provision for loan losses was $65 million for the year ended December 31, 2011, compared to $54 million in 2010. The increase is primarily due to an increase in specific commercial loan reserves during the first quarter of 2011, partially offset by favorable loss performance on the consumer portfolio in Europe.

Total noninterest expense decreased $9 million for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower other operating expenses resulting from a continued focus on streamlining operations. This decrease was offset primarily by unfavorable movements in foreign-currency exchange rates and an increase in headcount due to growth in certain countries, such as Brazil.

2010 Compared to 2009

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $205 million during the year ended December 31, 2010, compared to a loss from continuing operations before income tax expense of $102 million during the year ended December 31, 2009. Results for 2010 were favorably impacted by lower provision for loan losses and lower restructuring charges on wind-down operations.

Total financing revenue and other interest income decreased 16% for the year ended December 31, 2010, compared to 2009, primarily due to decreases in consumer and commercial asset levels as the result of adverse business conditions in Europe and the runoff of wind-down portfolios.

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

Depreciation expense on operating lease assets decreased 44% for the year ended December 31, 2010, compared to 2009, primarily due to the continued runoff of the full-service leasing portfolio.

Net gain on automotive loans was $21 million for the year ended December 31, 2010, compared to a net loss of $76 million for the year ended December 31, 2009. The losses for the year ended December 31, 2009, were due primarily to lower-of-cost or market adjustments on certain loans held-for-sale in certain wind-down operations. The gains for the year ended December 31, 2010, were primarily due to the partial release of lower-of-cost or market adjustments on loans held-for-sale in wind-down operations due to improved market values.

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

Noninterest expense decreased 9% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower compensation and benefits expense primarily related to lower employee headcount resulting from restructuring activities, unfavorable foreign-currency movements during the year ended December 31, 2009, and lower IT and professional service costs due to continued focus on cost reduction.

Insurance

Premium and Service Revenue Written

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**
Vehicle service contracts			
New retail	$ 375	$ 315	$ 281
Used retail	514	517	468
Reinsurance	(103)	(91)	(84)
Total vehicle service contracts	786	741	665
Wholesale	115	103	100
Other finance and insurance (a)	133	113	77
North American operations	1,034	957	842
International operations (b)	452	503	476
Total	$ 1,486	$ 1,460	$ 1,318

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

(b) International operations for the year ended December 31, 2010 and December 31, 2009 included $67 million and $126 million, respectively, of written premium from certain international insurance operations that were sold during the fourth quarter of 2010.

Insurance premiums and service revenue written was $1.5 billion, $1.5 billion, and $1.3 billion for the years ended December 31, 2011, 2010, and 2009, respectively. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected cost pattern. As such, the majority of earnings from vehicle service contracts written will be recognized as income in future periods. Insurance premiums and service revenue written increased each year primarily due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products.

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

Underwriting and Risk Management

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved, including losses and loss adjustment expenses, and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to vehicle service contracts, assumptions include the quality of the vehicles produced, the price of replacement parts, repair labor rates in the future, and new model introductions.

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

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

Cash and Investments

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

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

December 31, ***($ in millions)***	**2011**	**2010**
Cash		
Noninterest-bearing cash	$ 211	$ 28
Interest-bearing cash	629	1,168
Total cash	840	1,196
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	496	219
Foreign government	678	744
Mortgage-backed	590	826
Asset-backed	95	11
Corporate debt	1,491	1,559
Other debt	23	
Total debt securities	3,373	3,359
Equity securities	1,054	796
Total available-for-sale securities	4,427	4,155
Total cash and securities	$ 5,267	$ 5,351

Loss Reserves

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. Refer to the Critical Accounting Estimates section of this MD&A and Note 18 to the Consolidated Financial Statements for further discussion. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

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Results of Operations

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Insurance premiums and other income					
Insurance premiums and service revenue earned	$ 1,556	$ 1,721	$ 1,817	(10)	(5)
Investment income	252	444	255	(43)	74
Other income	59	75	72	(21)	4
Total insurance premiums and other income	1,867	2,240	2,144	(17)	4
Expense					
Insurance losses and loss adjustment expenses	682	784	825	13	5
Acquisition and underwriting expense					
Compensation and benefits expense	93	94	109	1	14
Insurance commissions expense	500	578	621	13	7
Other expenses	185	222	268	17	17
Total acquisition and underwriting expense	778	894	998	13	10
Total expense	1,460	1,678	1,823	13	8
Income from continuing operations before income tax expense	$ 407	$ 562	$ 321	(28)	75
Total assets	$ 8,036	$ 8,789	$ 10,614	(9)	(17)
Insurance premiums and service revenue written	$ 1,486	$ 1,460	$ 1,318	2	11
Combined ratio (a)	91.3%	94.1%	97.1%		

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

2011 Compared to 2010

Our Insurance operations earned income from continuing operations before income tax expense of $407 million for the year ended December 31, 2011, compared to $562 million for the year ended December 31, 2010. The decrease was primarily attributable to lower realized investment gains.

Insurance premiums and service revenue earned was $1.6 billion for the year ended December 31, 2011, compared to $1.7 billion in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled $252 million for the year ended December 31, 2011, compared to $444 million in 2010. The decrease was primarily due to lower realized investment gains, as well as realizing other-than-temporary impairments of $11 million during 2011.

Insurance losses and loss adjustment expenses totaled $682 million for the year ended December 31, 2011, compared to $784 million in 2010. The decrease was primarily due to lower frequency and severity experienced at our international business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 13% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

2010 Compared to 2009

Our Insurance operations earned income from continuing operations before income tax expense of $562 million for the year ended December 31, 2010, compared to $321 million for the year ended December 31, 2009. The increase was primarily due to higher realized investment gains driven by overall market improvement and reduced expenses.

Insurance premiums and service revenue earned was $1.7 billion for the year ended December 31, 2010, compared to $1.8 billion in 2009. Insurance premiums and service revenue earned decreased primarily due to lower earnings from our U.S. vehicle service contracts due to a decrease in domestic written premiums related to lower vehicle sales volume from 2007 to 2009. The decrease was partially offset by increased volume in our international operations.

Investment income totaled $444 million for the year ended December 31, 2010, compared to $255 million in 2009. The increase was primarily due to higher realized investment gains driven by market repositioning. During the year ended December 31, 2009, we realized other-than-temporary impairments of $55 million. The increase in investment income was also slightly offset by reductions in the average size of the investment portfolio throughout the year and a decrease in the average security investment yield. The fair value of the investment portfolio was $4.2 billion and $4.7 billion at December 31, 2010 and 2009, respectively.

Acquisition and underwriting expense decreased 10% for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to lower expenses in our U.S. dealership-related products matching our decrease in earned premiums. The decrease was partially offset by increased expenses within our international operations to match the increase in earned premiums.

Mortgage

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

Loan Production

U.S. Mortgage Loan Production Channels

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

Correspondent lender and secondary market purchases Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs.

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

Mortgage brokerage network Residential mortgage loans originated through mortgage brokers. We review and underwrite the application submitted by the mortgage broker, approve or deny the application, set the interest rate and other terms of the loan and, upon acceptance by the borrower and the satisfaction of all conditions required by us, fund the loan through Ally Bank. We qualify and approve all mortgage brokers who generate mortgage loans and continually monitor their performance.

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

	2011		2010		2009	
Year ended December 31, *($ in millions)*	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Correspondent lender and secondary market purchases	196,964	$ 45,349	263,963	$ 61,465	260,772	$ 56,042
Direct lending	37,743	7,414	36,064	7,586	42,190	8,524
Mortgage brokers	12,018	3,495	2,035	491	607	165
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731

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

	2011		2010		2009	
Year ended December 31, *($ in millions)*	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Ally Bank	245,849	$ 56,130	300,738	$ 69,320	299,302	$ 64,001
ResCap	876	128	1,324	222	4,267	730
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731

Mortgage Loan Production by Type

Consistent with our focus on GSE loan products, we primarily originate prime conforming and government-insured residential mortgage loans. We define prime as mortgage loans with a FICO score of 660 and above. In addition, we originate and purchase high-quality nonconforming jumbo loans, mostly from correspondent lenders, for the Ally Bank held-for-investment portfolio. Our mortgage loans are categorized as follows.

Prime conforming mortgage loans Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that meet or conform to the underwriting standards established by the GSEs for inclusion in their guaranteed mortgage securities programs.

Prime nonconforming mortgage loans Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that either (1) do not conform to the underwriting standards established by the GSEs because they had original principal amounts exceeding GSE limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.

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Prime second-lien mortgage loans Open- and closed-end mortgage loans secured by a second or more junior-lien on single-family residences, which include home equity mortgage loans and lines of credit. We ceased originating prime second-lien mortgage loans during 2008.

Government mortgage loans First-lien mortgage loans secured by 1-4 family residential properties that are insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

Nonprime mortgage loans First-lien and certain junior-lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as subprime, as well as high combined loan-to-value second-lien loans that fell out of our standard loan programs due to noncompliance with one or more criteria. We ceased originating nonprime mortgage loans during 2007.

The following table summarizes consumer mortgage loan production by type for our Origination and Servicing operations.

	2011		2010		2009	
Year ended December 31, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
Prime conforming	209,031	$ 47,511	228,936	$ 53,721	164,780	$ 37,651
Prime nonconforming	2,008	1,679	1,837	1,548	1,236	992
Prime second-lien					3	1
Government	35,686	7,068	71,289	14,273	137,550	26,087
Nonprime						
Total U.S. production	246,725	$ 56,258	302,062	$ 69,542	303,569	$ 64,731

U.S. Warehouse Lending

We are a provider of warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enable lenders and originators to finance residential mortgage loans until they are sold in the secondary mortgage loan market. We provide warehouse-lending facilities principally for prime conforming and government mortgage loans. We have continued to refine our warehouse-lending portfolio, offering such lending only to current Ally Bank correspondent clients. Advances under warehouse-lending facilities are collateralized by the underlying mortgage loans and bear interest at variable rates. At December 31, 2011, we had total warehouse line of credit commitments of $2.8 billion, against which we had $1.9 billion of advances outstanding. We also have $24 million of warehouse-lending receivables outstanding related to other offerings at December 31, 2011. We purchased approximately 35% of the mortgage loans financed by our warehouse-lending facilities in 2011.

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Loans Outstanding

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

December 31, ***($ in millions)***	**2011**	**2010**
Prime conforming	$ 3,034	$ 5,585
Prime nonconforming		
Prime second-lien		
Government (a)	3,274	3,434
Nonprime		
International		
Total	6,308	9,019
Net premiums	80	132
Fair value option election adjustment	87	(61)
Lower-of-cost or fair value adjustment	(5)	(2)
Total, net	$ 6,470	$ 9,088

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

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

December 31, ***($ in millions)***	**2011**	**2010**
Prime conforming	$	$
Prime nonconforming	2,815	2,068
Prime second-lien		
Government		
Nonprime		
International		
Total	2,815	2,068
Net premiums	20	11
Fair value option election adjustment		
Allowance for loan losses	(16)	(13)
Total, net	$ 2,819	$ 2,066

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

December 31, ***($ in millions)***	**2011**	**2010**
Prime conforming	$ 311	$ 336
Prime nonconforming	571	674
Prime second-lien	545	634
Government	20	18
Nonprime	561	637

International	17	364
Total (a)	2,025	2,663
Net discounts	(301)	(293)
Fair value option election adjustment	(27)	(1)
Lower-of-cost or fair value adjustment	(55)	(46)
Total, net (b)	$ 1,642	$ 2,323

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(a) Includes unpaid principal balance write-downs of $1.5 billion and $1.8 billion at December 31, 2011 and 2010, respectively. The amounts are for write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(b) Includes loans subject to conditional repurchase options of $106 million and $146 million sold to off-balance sheet private-label securitizations at December 31, 2011 and 2010, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

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

December 31, ***($ in millions)***	**2011**	**2010**
Prime conforming	$ 278	$ 323
Prime nonconforming	5,254	6,059
Prime second-lien	2,200	2,642
Government		
Nonprime	1,349	1,583
International	422	862
Total	9,503	11,469
Net premiums	18	26
Fair value option election adjustment	(1,601)	(1,890)
Allowance for loan losses	(479)	(543)
Total, net (a)	$ 7,441	$ 9,062

(a) At December 31, 2011 and 2010, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $837 million and $1.0 billion, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Loan Servicing

While we sell most of the residential mortgage loans we originate or purchase, we generally retain the rights to service these loans. The retained mortgage servicing rights consist of primary and master-servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. When we act as master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing primary and master-servicing functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors. Refer to Note 12 to the Consolidated Financial Statements for additional information.

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The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to the Critical Accounting Estimates section of this MD&A and Note 24 to the Consolidated Financial Statements for further discussion.

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

December 31, *($ in millions)*	**2011**	**2010**	**2009**
U.S. primary servicing portfolio			
Prime conforming	$ 226,239	$ 220,762	$ 210,914
Prime nonconforming	47,767	52,643	58,103
Prime second-lien	6,871	10,851	14,729
Government	49,027	48,550	40,230
Nonprime	20,753	22,874	25,837
International primary servicing portfolio	5,773	5,087	25,941
Total primary servicing portfolio (a)	$ 356,430	$ 360,767	$ 375,754

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $26.4 billion, $24.2 billion, and $28.7 billion at December 31, 2011, 2010, and 2009, respectively.

Mortgage Foreclosure Matters

Refer to Note 31 to the Consolidated Financial Statements for information related to these matters.

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Origination and Servicing Operations

Results of Operations

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

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing (loss) revenue					
Total financing revenue and other interest income	$ 414	$ 448	$ 387	(8)	16
Interest expense	439	413	369	(6)	(12)
Net financing (loss) revenue	(25)	35	18	(171)	94
Servicing fees	1,203	1,270	1,240	(5)	2
Servicing asset valuation and hedge activities, net	(789)	(394)	(1,113)	(100)	65
Total servicing income, net	414	876	127	(53)	n/m
Gain on mortgage loans, net	297	607	695	(51)	(13)
Other income, net of losses	247	255	136	(3)	88
Total other revenue	958	1,738	958	(45)	81
Total net revenue	933	1,773	976	(47)	82
Provision for loan losses	1	(29)	41	(103)	171
Noninterest expense					
Compensation and benefits expense	273	249	265	(10)	6
Representation and warranty expense		(22)	32	(100)	169
Other operating expenses	1,006	655	595	(54)	(10)
Total noninterest expense	1,279	882	892	(45)	1
(Loss) income before income tax expense	$ (347)	$ 920	$ 43	(138)	n/m
Total assets	$ 23,016	$ 23,681	$ 17,914	(3)	32

n/m = not meaningful

2011 Compared to 2010

Our Origination and Servicing operations incurred a loss before income tax expense of $347 million for the year ended December 31, 2011, compared to income before income tax expense of $920 million for the year ended December 31, 2010. The decrease was primarily driven by unfavorable servicing asset valuation, net of hedge, lower net gains on the sale of mortgage loans, and a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters.

Net financing loss was $25 million for the year ended December 31, 2011, compared to net financing revenue of $35 million in 2010. The loss was primarily due to higher funding costs and slightly unfavorable net financing revenue on Ginnie Mae repurchases.

Total servicing income, net was $414 million for the year ended December 31, 2011, compared to $876 million in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

The net gain on mortgage loans was $297 million for the year ended December 31, 2011, compared to $607 million in 2010. The decrease during 2011 was primarily due to lower margins and production.

Total noninterest expense increased 45% for the year ended December 31, 2011, compared to 2010. The increase was primarily due to a $230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters, higher loan processing and underwriting fees, and an increase in compensation and benefits expense due to an increase in headcount related to expansion activities in our broker, retail, and servicing operations.

2010 Compared to 2009

Our Origination and Servicing operations earned income before income tax expense of $920 million for the year ended December 31, 2010, compared to $43 million for the year ended December 31, 2009. The 2010 results were primarily driven by strong production and margins as a result of increased refinancings, higher net servicing income, lower provision for loan losses, and lower noninterest expense.

Net financing revenue was $35 million for the year ended December 31, 2010, compared to $18 million in 2009. During 2010, net financing revenue was favorably impacted by an increase in interest income primarily due to an increase in the average balance driven by an increase in our jumbo mortgage loan originations, which we resumed originating in the middle part of 2009, and a larger average loans held-for-sale portfolio due to an increase in production. Partially offsetting the increase was higher interest expense driven primarily by higher borrowings due to increased production and higher cost of funds.

Total servicing income, net was $876 million for the year ended December 31, 2010, compared to $127 million in 2009. The increase was primarily due to projected cash flow improvements related to slower prepayment speeds as well as higher HAMP loss mitigation incentive fees compared to prior year unfavorable hedge performance with respect to mortgage servicing rights.

The net gain on mortgage loans was $607 million for the year ended December 31, 2010, compared to $695 million in 2009. The decrease was primarily due to unfavorable mark-to-market movement on the mortgage pipeline and a favorable mark-to-market taken in 2009 on released lower-of-cost or market adjustments related to implementation of fair value accounting on the held-for-sale portfolio.

Other income, net of losses, increased 88% for the year ended December 31, 2010, compared to 2009, primarily due to favorable mortgage processing fees related to the absence of loan origination income deferral in 2010 due to the fair value option election for our held-for-sale loans during the third quarter of 2009.

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

Legacy Portfolio and Other Operations

Results of Operations

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

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runoff, and cash held in the ResCap legal entity. These activities include, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; purchasing, selling and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally; certain conforming origination channels closed in 2008; and our mortgage reinsurance business.

Year ended December 31, *($ in millions)*	2011	2010	2009	Favorable/ (unfavorable) 2011-2010 % change	Favorable/ (unfavorable) 2010-2009 % change
Net financing revenue					
Total financing revenue and other interest income	$ 734	$ 1,263	$ 1,491	(42)	(15)
Interest expense	450	658	859	32	23
Net financing revenue	284	605	632	(53)	(4)
Servicing fees	(5)	(8)	(10)	38	20
Servicing asset valuation and hedge activities, net			9		(100)
Total servicing income, net	(5)	(8)	(1)	38	n/m
Gain (loss) on mortgage loans, net	97	383	(40)	(75)	n/m
Gain on extinguishment of debt			4		(100)
Other income, net of losses	(90)	(115)	(647)	22	82
Total other revenue (expense)	2	260	(684)	(99)	138
Total net revenue (expense)	286	865	(52)	(67)	n/m
Provision for loan losses	149	173	4,230	14	96
Noninterest expense					
Compensation and benefits expense	127	77	120	(65)	36
Representation and warranty expense	324	692	1,453	53	52
Other operating expenses	88	190	450	54	58
Total noninterest expense	539	959	2,023	44	53
Loss from continuing operations before income tax expense	$ (402)	$ (267)	$ (6,305)	(51)	96
Total assets	$ 10,890	$ 13,105	$ 20,980	(17)	(38)

n/m = not meaningful

2011 Compared to 2010

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of $402 million for the year ended December 31, 2011, compared to a loss from continuing operations before income tax expense of $267 million for the year ended December 31, 2010. The increase in the loss during 2011 was primarily due to lower financing revenue related to a decrease in asset levels and a lower net gain on the sale of mortgage loans, partially offset by lower representation and warranty expense.

Net financing revenue was $284 million for the year ended December 31, 2011, compared to $605 million in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $97 million for the year ended December 31, 2011, compared to $383 million in 2010. The decrease during 2011 was primarily due to lower whole-loan sales, lower gains on mortgage loan resolutions, and the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 11 to the Consolidated Financial Statements for information on the deconsolidation.

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The provision for loan losses was $149 million for the year ended December 31, 2011, compared to $173 million in 2010. The decrease in the provision reflected improved credit performance and liquidation of the legacy mortgage portfolio.

Total noninterest expense decreased 44% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by lower representation and warranty expense in 2011 as 2010 included a significant increase in expense to cover anticipated repurchase requests and settlements with key counterparties.

2010 Compared to 2009

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of $267 million for the year ended December 31, 2010, compared to $6.3 billion for the year ended December 31, 2009. The 2010 results from continuing operations were primarily driven by the stabilization of our loan portfolio resulting in a decrease in provision for loan losses, lower representation and warranty expense, and gains on the sale of domestic legacy assets.

Net financing revenue was $605 million for the year ended December 31, 2010, compared to $632 million in 2009. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, on-balance deconsolidations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $383 million for the year ended December 31, 2010, compared to a loss of $40 million in 2009. The increase was primarily due to higher gains on loan sales in 2010 compared to 2009, higher gains on loan resolutions in 2010, and the recognition of a gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 11 to the Consolidated Financial Statements for information on the deconsolidation.

Other income, net of losses, was a loss of $115 million for the year ended December 31, 2010, compared to a loss of $647 million in 2009. The improvement from 2009 was primarily related to the recognition of gains on the sale of foreclosed real estate in 2010 compared to losses and impairments in 2009 and impairments and higher losses on trading securities in 2009. Additionally, during the year ended December 31, 2009, we recognized significant impairments on equity investments, lot option projects, and model homes.

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

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

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Corporate and Other

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**Favorable/ (unfavorable) 2011-2010 % change**	**Favorable/ (unfavorable) 2010-2009 % change**
Net financing loss					
Total financing revenue and other interest income	$ 138	$ 165	$ (78)	(16)	n/m
Interest expense					
Original issue discount amortization	925	1,204	1,143	23	(5)
Other interest expense	907	1,060	1,239	14	14
Total interest expense	1,832	2,264	2,382	19	5
Net financing loss	(1,694)	(2,099)	(2,460)	19	15
Other revenue					
(Loss) gain on extinguishment of debt	(64)	(123)	661	48	(119)
Other gain on investments, net	119	146	85	(18)	72
Other income, net of losses	135	(65)	194	n/m	(134)
Total other revenue (expense)	190	(42)	940	n/m	(104)
Total net expense	(1,504)	(2,141)	(1,520)	30	(41)
Provision for loan losses	(89)	(42)	491	112	109
Noninterest expense					
Compensation and benefits expense	475	614	405	23	(52)
Other operating expense	17	(88)	74	(119)	n/m
Total noninterest expense	492	526	479	6	(10)
Loss from continuing operations before income tax expense	$ (1,907)	$ (2,625)	$ (2,490)	27	(5)
Total assets	$ 29,641	$ 28,561	$ 32,714	4	(13)

n/m = not meaningful

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

At and for the year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**
Original issue discount amortization			
2008 bond exchange amortization	$ (886)	$ (1,158)	$ (1,108)
Other debt issuance discount amortization	(39)	(46)	(35)

Total original issue discount amortization (a)	(925)	(1,204)	(1,143)
Net impact of the funds transfer pricing methodology			
Cost of liquidity	(708)	(617)	(655)
Funds-transfer pricing / cost of funds mismatch	(342)	(391)	(672)
Benefit (cost) of net non-earning assets	186	8	(110)
Total net impact of the funds transfer pricing methodology	(864)	(1,000)	(1,437)
Other (including Commercial Finance Group net financing revenue)	95	105	120
Total net financing losses for Corporate and Other	$ (1,694)	$ (2,099)	$ (2,460)
Outstanding original issue discount balance	$ 2,194	$ 3,169	$ 4,373

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

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

Year ended December 31, *($ in millions)*	2012	2013	2014	2015	2016	2017 and thereafter (a)	Total
Original issue discount							
Outstanding balance	$ 1,844	$ 1,581	$ 1,391	$ 1,334	$ 1,272	$	
Total amortization (b)	350	263	190	57	62	1,272	$ 2,194
2008 bond exchange amortization (c)	320	241	166	43	53	1,125	1,948

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

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

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

2011 Compared to 2010

Loss from continuing operations before income tax expense for Corporate and Other was $1.9 billion for the year ended December 31, 2011, compared to $2.6 billion for the year ended December 31, 2010. Corporate and Other s loss from continuing operations before income tax expense for both periods is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2011, was primarily due to a decrease in original issue discount amortization expense related to bond maturities and normal monthly amortization and favorable net impact of the FTP methodology. The net FTP methodology improvement was primarily the result of favorable unallocated interest costs due to lower non-earning assets and unamortized original issue discount balance. Additionally, 2011 was favorably impacted by a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements, a reduction in debt fees driven by the restructuring of our secured facilities and the termination of our automotive forward flow agreements, and by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of $50 million for the year ended December 31, 2011, compared to $101 million in 2010).

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $186 million for the year ended December 31, 2011, compared to $177 million for the year ended December 31, 2010. The increase was primarily due to improved efficiencies, continued improvement in portfolio credit quality, and recoveries on previously charged-off accounts. This increase was partially offset by lower commercial revenue primarily due to lower asset levels.

2010 Compared to 2009

Loss from continuing operations before income tax expense for Corporate and Other was $2.6 billion for the year ended December 31, 2010, compared to $2.5 billion for the year ended December 31, 2009. The losses in 2010 and 2009 were driven by $1.2 billion and $1.1 billion of original issue discount amortization expenses primarily related to our 2008 bond exchange and the net impact of our FTP methodology. The unfavorable results for 2010 were also impacted by net derivative activity, higher marketing expenses, and higher FDIC fees. Additionally, we recognized a $123 million loss related to the extinguishment of certain Ally debt, which includes $101 million of accelerated amortization of original issue discount compared to a $661 million gain in the prior year. Partially offsetting the unfavorable results were lower professional and legal fees.

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

Cash and Securities

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

December 31, ***($ in millions)***	**2011**	**2010**
Cash		
Noninterest-bearing cash	$ 1,768	$ 1,637
Interest-bearing cash	9,781	7,964
Total cash	11,549	9,601
Trading assets		
U.S. Treasury		75
Mortgage-backed	589	25
Asset-backed		93
Total trading assets	589	193
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,051	3,097
States and political subdivisions	1	2
Foreign government	106	499
Mortgage-backed	6,722	4,973
Asset-backed	2,520	1,936
Corporate debt		
Other debt (a)	305	151
Total debt securities	10,705	10,658
Equity securities	4	
Total available-for-sale securities	10,709	10,658
Total cash and securities	$ 22,847	$ 20,452

(a) Includes intersegment eliminations.

Risk Management

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

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

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

Lease Residual risk The risk of loss arising from the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of the values used in establishing the pricing at lease inception.

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

Liquidity risk The risk that our financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet our financial obligations, and to withstand unforeseen liquidity stress events (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

Country risk The risk that economic, social and political conditions, and events in foreign countries will adversely affect our financial interests.

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

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

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

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

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

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Loan and Lease Exposure

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

December 31, ***($ in millions)***	**2011**	**2010**
Finance receivables and loans		
Global Automotive Services	$ 100,734	$ 86,888
Mortgage operations	12,753	13,423
Corporate and Other	1,268	2,102
Total finance receivables and loans	114,755	102,413
Held-for-sale loans		
Global Automotive Services	425	
Mortgage operations	8,112	11,411
Corporate and Other	20	
Total held-for-sale loans	8,557	11,411
Total on-balance sheet loans	$ 123,312	$ 113,824
Off-balance sheet securitized loans		
Global Automotive Services	$	$
Mortgage operations	326,975	326,830
Corporate and Other		
Total off-balance sheet securitized loans	$ 326,975	$ 326,830
Operating lease assets		
Global Automotive Services	$ 9,275	$ 9,128
Mortgage operations		
Corporate and Other		
Total operating lease assets	$ 9,275	$ 9,128
Serviced loans and leases		
Global Automotive Services	$ 122,881	$ 114,379
Mortgage operations (a)	356,430	360,767
Corporate and Other	1,762	2,448
Total serviced loans and leases	$ 481,073	$ 477,594

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

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

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

Held-for-sale loans Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Off-balance sheet securitized loans Loans that we transferred off-balance sheet to nonconsolidated variable interest entities. We primarily report this exposure as cash, servicing rights, or retain interests (if applicable). Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Operating lease assets The net book value of the automobile assets we leased are based on the expected residual value upon remarketing the vehicle at the end of the lease. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable and unrecoverable change in the value of the recorded asset. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such, we manage the risks of these exposures at inception by setting minimum lease standards for projected residual values. A valuation allowance is recorded directly against the lease rent receivable balance which is a component of Other Assets. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

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

Credit Risk Management

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

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

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

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

For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. We have also implemented periodic foreclosure moratoriums that are designed to provide borrowers with extra time to sort out their financial difficulties while allowing them to stay in their homes.

During 2011, the United States financial markets experienced some improvement; however, high unemployment and the distress in the housing market persisted, creating uncertainty for the financial services sector as a whole. During the financial crisis, we saw both the housing and vehicle markets significantly decline, affecting the credit quality for both our consumer and commercial portfolios. However, we have seen signs of economic stabilization in some housing, vehicle, and manufacturing markets and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives.

On-balance Sheet Loan Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At December 31, 2011 this primarily included $101.2 billion of automobile finance receivables and loans and $20.9 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

During the year ended December 31, 2011, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Additionally, we committed to sell the Canadian mortgage operations of ResMor Trust. Refer to Note 2 to the Consolidated Financial Statements for additional information on specific actions taken. Within our Automotive Finance operations, we exited certain underperforming dealer relationships and countries in which we previously operated. Within our Mortgage operations, in order to proactively address changes in the mortgage industry as a whole, we took action to reduce the focus on the correspondent mortgage lending channel; however, we will maintain correspondent relationships with key customers.

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

December 31, *($ in millions)*	Outstanding 2011	Outstanding 2010	Nonperforming (a) 2011	Nonperforming (a) 2010	Accruing past due 90 days or more (b) 2011	Accruing past due 90 days or more (b) 2010
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 73,452	$ 62,002	$ 567	$ 768	$ 4	$ 6
Loans at fair value	835	1,015	210	260		
Total finance receivables and loans	74,287	63,017	777	1,028	4	6
Loans held-for-sale	8,537	11,411	2,820	3,273	73	25
Total consumer loans	82,824	74,428	3,597	4,301	77	31
Commercial						
Finance receivables and loans						
Loans at historical cost	40,468	39,396	339	740		
Loans at fair value						
Total finance receivables and loans	40,468	39,396	339	740		
Loans held-for-sale	20					
Total commercial loans	40,488	39,396	339	740		
Total on-balance sheet loans	$ 123,312	$ 113,824	$ 3,936	$ 5,041	$ 77	$ 31

(a) Includes nonaccrual troubled debt restructured loans of $934 million and $684 million at December 31, 2011 and 2010, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes troubled debt restructured loans classified as 90 days past due and still accruing of $42 million and $13 million as December 31, 2011 and December 31, 2010, respectively.

Total on-balance sheet loans outstanding at December 31, 2011, increased $9.5 billion to $123.3 billion from December 31, 2010, reflecting an increase of $8.4 billion in the consumer portfolio and $1.1 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding was primarily driven by increased automobile consumer loan originations which outpaced portfolio runoff, due to improved industry sales and higher GM and Chrysler market share. The increase was partially offset by a decrease in mortgage originations in our consumer mortgage business.

The total troubled debt restructurings (TDRs) outstanding at December 31, 2011, increased $495 million to $1.9 billion from December 31, 2010. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government modification programs. Additionally, the implementation of ASU 2011-02, *A Creditor s Determination of Whether a Restructuring is a Troubled Debt Restructuring*, contributed to the increase. Refer to Note 1 and Note 9 to the Consolidated Financial Statements for additional information.

Total nonperforming loans at December 31, 2011, decreased $1.1 billion to $3.9 billion from December 31, 2010, reflecting a decrease of $704 million of consumer nonperforming loans and a decrease of $401 million of commercial nonperforming loans. The decrease in nonperforming loans from December 31, 2010, was largely due to improvements within our consumer mortgage and commercial automobile portfolios.

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The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

Year ended December 31, *($ in millions)*	Net charge-offs 2011	Net charge-offs 2010	Net charge-off ratios (a) 2011	Net charge-off ratios (a) 2010
Consumer				
Finance receivables and loans at historical cost	$ 514	$ 796	0.7%	1.5%
Commercial				
Finance receivables and loans at historical cost	39	402	0.1	1.1
Total finance receivables and loans at historical cost	$ 553	$ 1,198	0.5	1.3

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs were $553 million for the year ended December 31, 2011 compared to $1.2 billion for the year ended December 31, 2010. This decline was driven primarily by an improved mix of loans reflecting previously tightened underwriting standards and strategic actions to wind-down non-core commercial assets, including resort finance. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile loans, first mortgages, and home equity loans (we ceased originating home equity loans in 2009), with a focus on serving the prime secured consumer credit market. Loan losses in our consumer portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automobile lending (primarily through GM and Chrysler dealerships). Due to our subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower s credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower s creditworthiness, fraud, and changes in the applicant s financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

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During the year ended December 31, 2011, the credit performance of the consumer portfolio continued to improve overall as our nonperforming financial receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
December 31, ***($ in millions)***	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Domestic						
Consumer automobile	$ 46,576	$ 34,604	$ 139	$ 129	$	$
Consumer mortgage						
1st Mortgage	6,867	6,917	258	388	1	1
Home equity	3,102	3,441	58	61		
Total domestic	56,545	44,962	455	578	1	1
Foreign						
Consumer automobile	16,883	16,650	89	78	3	5
Consumer mortgage						
1st Mortgage (c)	24	390	23	112		
Home equity						
Total foreign	16,907	17,040	112	190	3	5
Total consumer finance receivables and loans	$ 73,452	$ 62,002	$ 567	$ 768	$ 4	$ 6

(a) Includes nonaccrual troubled debt restructured loans of $180 million and $204 million at December 31, 2011 and 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2011 and 2010.

(c) Refer to Note 2 to the Consolidated Financial Statements for additional information on our commitment to sell our Canadian residential mortgage portfolio.

Total outstanding consumer finance receivables and loans increased $11.5 billion at December 31, 2011, compared with December 31, 2010. This increase was driven by domestic automobile consumer loan originations, which outpaced portfolio runoff, primarily due to improved industry sales and higher GM and Chrysler market share.

Total consumer nonperforming finance receivables and loans at December 31, 2011 decreased $201 million to $567 million from December 31, 2010, reflecting a decrease of $222 million of consumer mortgage nonperforming finance receivables and loans and an increase of $21 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to the continued runoff of lower quality legacy loans. Nonperforming consumer automotive finance receivables and loans increased primarily due to the implementation of ASU 2011-02 which resulted in additional loans being classified as TDRs and placed on nonaccrual status. Refer to Note 1 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.2% at December 31, 2011 and 2010, respectively.

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Consumer domestic automobile finance receivables and loans accruing and past due 30 days or more decreased $19 million to $783 million at December 31, 2011, compared with December 31, 2010. This decline was primarily due to increased quality of newer vintages reflecting tightened underwriting standards.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Net charge-offs		Net charge-off ratios (a)	
Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2011**	**2010**
Domestic				
Consumer automobile	$ 249	$ 457	0.6%	1.7%
Consumer mortgage				
1st Mortgage	115	128	1.7	1.8
Home equity	74	85	2.3	2.4
Total domestic	438	670	0.8	1.8
Foreign				
Consumer automobile	72	123	0.4	0.8
Consumer mortgage				
1st Mortgage	4	3	1.2	0.8
Home equity				
Total foreign	76	126	0.4	0.8
Total consumer finance receivables and loans	$ 514	$ 796	0.7	1.5

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from total consumer automobile finance receivables and loans decreased $259 million for the year ended December 31, 2011, compared to 2010. The decrease in net charge-offs was primarily due to lower loss frequency and improvements in loss severity as a result of increased quality of newer vintages reflecting tightened underwriting standards and strong used vehicle pricing.

Our net charge-offs from total consumer mortgage finance receivables and loans were $193 million for the year ended December 31, 2011, compared to $216 million in 2010. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Domestic		
Consumer automobile	$ 32,933	$ 27,681
Consumer mortgage		
1st Mortgage	56,258	69,542
Home equity		
Total domestic	89,191	97,223
Foreign		
Consumer automobile	9,983	8,818
Consumer mortgage		
1st Mortgage	1,403	1,503
Home equity		
Total foreign	11,386	10,321
Total consumer loan originations	$ 100,577	$ 107,544

Total domestic automobile-originated loans increased $5.3 billion for the year ended December 31, 2011, compared to 2010, primarily due to improved industry sales and higher GM and Chrysler market share. Total foreign automobile originations increased $1.2 billion for the year ended December 31, 2011, driven by higher Germany, Brazil, and United Kingdom production.

Total domestic mortgage-originated loans decreased $13.3 billion for the year ended December 31, 2011. The decreases were, in part, the result of lower industry volume and fewer government-insured residential mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment increased $9.5 billion to $44.6 billion at December 31, 2011, compared to 2010. The increase was primarily due to improved automotive industry sales and higher GM and Chrysler market share.

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The following table shows the percentage of the total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $63.5 billion and $51.3 billion at December 31, 2011 and 2010, respectively. Total mortgage and home equity loans were $10.0 billion and $10.7 billion at December 31, 2011 and 2010, respectively.

	2011 (a)		2010	
December 31,	**Automobile**	**1st Mortgage and home equity**	**Automobile**	**1st Mortgage and home equity**
Texas	9.5%	5.5%	9.2%	4.4%
California	4.6	25.7	4.6	24.5
Florida	4.8	4.0	4.4	4.1
Michigan	4.0	4.8	3.7	5.0
Illinois	3.1	5.0	2.8	4.7
New York	3.5	2.3	3.4	2.4
Pennsylvania	3.6	1.6	3.2	1.7
Ohio	2.9	1.0	2.5	1.0
Georgia	2.5	1.8	2.2	1.8
North Carolina	2.2	2.1	2.0	2.0
Other United States	32.9	45.9	29.4	44.7
Canada	11.8	0.2	14.2	3.6
Brazil	4.7		5.2	
Germany	4.3		5.7	
Other foreign	5.6	0.1	7.5	0.1
Total consumer finance receivables and loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2011.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 16.4% of our total outstanding consumer finance receivables and loans at December 31, 2011.

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements.

Repossessed assets in our Automotive Finance operations at December 31, 2011, increased $10 million to $56 million from December 31, 2010. Foreclosed mortgage assets at December 31, 2011, decreased $61 million to $77 million from December 31, 2010.

Higher-risk Mortgage Loans

During the year ended December 31, 2011, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States and high-quality government-

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insured residential in Canada. Refer to Note 2 to the Consolidated Financial Statements for additional information on our commitment to sell our Canadian residential mortgage portfolio. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. Given the continued stress within the housing market, we believe this hierarchy provides the most relevant risk assessment of our nontraditional products.

High loan-to-value mortgages Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

Payment-option adjustable-rate mortgages Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower s monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.

Interest-only mortgages Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower s new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.

Below-market rate (teaser) mortgages Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower s monthly payment amount. We ceased originating these loans during 2008.

The following table summarizes the higher-risk mortgage loan originations unpaid principal balance for the periods shown. These higher-risk mortgage loans are classified as finance receivables and loans and are recorded at historical cost.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Interest-only mortgage loans	$	$ 209
Below-market rate (teaser) mortgages		
Total	$	$ 209

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

	2011			2010		
December 31, ***($ in millions)***	**Outstanding**	**Nonperforming**	**Accruing past due 90 days or more**	**Outstanding**	**Nonperforming**	**Accruing past due 90 days or more**
Interest-only mortgage loans (a)	$ 2,947	$ 147	$	$ 3,681	$ 207	$
Below-market rate (teaser) mortgages	248	6		284	4	
Total	$ 3,195	$ 153	$	$ 3,965	$ 211	$

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

Allowance for loan losses was $167 million or 5.2% of total higher-risk mortgage finance receivables and loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December 31, 2011.

The following tables include our five largest state and foreign concentrations within our higher-risk finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

December 31, ***($ in millions)***	**Interest-only mortgage loans**	**Below-market rate (teaser) mortgages**	**All higher-risk mortgage loans**
2011			
California	$ 748	$ 78	$ 826
Virginia	274	10	284
Maryland	217	6	223
Michigan	199	9	208
Illinois	153	8	161
Other United States	1,356	137	1,493
Total	$ 2,947	$ 248	$ 3,195
2010			
California	$ 993	$ 89	$ 1,082
Virginia	330	12	342
Maryland	256	7	263
Michigan	225	10	235
Illinois	197	8	205
Other United States and foreign	1,680	158	1,838
Total	$ 3,681	$ 284	$ 3,965

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate and the financial health of the automotive manufacturers that provide the inventory we floorplan. As part of our floorplan financing arrangements, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances.

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Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the year ended December 31, 2011, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
December 31, ***($ in millions)***	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Domestic						
Commercial and industrial						
Automobile	$ 26,552	$ 24,944	$ 105	$ 261	$	$
Mortgage	1,887	1,540				
Other (c)	1,178	1,795	22	37		
Commercial real estate						
Automobile	2,331	2,071	56	193		
Mortgage		1		1		
Total domestic	31,948	30,351	183	492		
Foreign						
Commercial and industrial						
Automobile	8,265	8,398	118	35		
Mortgage	24	41		40		
Other (c)	63	312	15	97		
Commercial real estate						
Automobile	154	216	11	6		
Mortgage	14	78	12	70		
Total foreign	8,520	9,045	156	248		
Total commercial finance receivables and loans	$ 40,468	$ 39,396	$ 339	$ 740	$	$

(a) Includes nonaccrual troubled debt restructured loans of $21 million and $9 million at December 31, 2011 and 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2011 and 2010, respectively.

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

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Total commercial finance receivables and loans outstanding increased $1.1 billion to $40.5 billion at December 31, 2011, from December 31, 2010. Commercial and industrial outstandings increased $939 million primarily due to improved automotive industry sales and corresponding increase in inventories partially offset by the continued wind-down of non-core commercial assets.

Total commercial nonperforming finance receivables and loans were $339 million, a decrease of $401 million compared to December 31, 2010, primarily due to improvement in dealer performance and continued wind-down of non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 0.8% and 1.9% at December 31, 2011 and 2010, respectively.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Net charge-offs (recoveries)		Net charge-off ratios (a)	
Year ended December 31, *($ in millions)*	**2011**	**2010**	**2011**	**2010**
Domestic				
Commercial and industrial				
Automobile	$ 7	$ 18	%	0.1%
Mortgage	(3)	(3)	(0.3)	(0.2)
Other (b)	(7)	158	(0.5)	6.7
Commercial real estate				
Automobile	6	47	0.3	2.3
Mortgage	(1)	44	n/m	136.3
Total domestic	2	264		0.9
Foreign				
Commercial and industrial				
Automobile	(1)	16		0.2
Mortgage	8	3	25.0	3.9
Other	2	69	0.8	19.0
Commercial real estate				
Automobile	1	2	0.3	1.0
Mortgage	27	48	60.9	38.7
Total foreign	37	138	0.4	1.5
Total commercial finance receivables and loans	$ 39	$ 402	0.1	1.1

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

(b) Includes $148 million of Resort finance charge offs during the year ended December 31, 2010.

Our net charge-offs from commercial finance receivables and loans totaled $39 million for the year ended December 31, 2011, compared to $402 million in 2010. The decrease in net charge-offs were largely driven by an improved mix of loans in the existing portfolio driven by the wind-down of certain commercial resort finance and real estate assets in prior periods and improvement in dealer performance.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were $2.5 billion and $2.4 billion at December 31, 2011 and 2010, respectively.

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The following table shows the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

December 31,	2011	2010
Geographic region		
Michigan	14.1%	10.1%
Texas	12.4	10.5
Florida	12.4	10.3
California	9.3	9.6
Virginia	4.1	4.4
New York	3.5	3.8
Pennsylvania	2.9	3.7
Alabama	2.6	2.4
Georgia	2.5	2.7
North Carolina	2.1	1.9
Other United States	27.5	28.1
Canada	3.5	4.4
United Kingdom	1.8	5.0
Mexico	1.0	2.4
Other foreign	0.3	0.7
Total outstanding commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	99.4%	91.8%
Other	0.6	8.2
Total outstanding commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table shows the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans reported at carrying value before allowance for loan losses.

December 31,	2011	2010
Industry		
Automotive	82.9%	66.5%
Real estate	4.5	12.1
Banks and finance companies	4.2	1.0
Other	8.4	20.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposure decreased $528 million to $3.1 billion from December 31, 2010, primarily due to the continued wind-down of non-core commercial assets in the real estate and health/medical (within Other) industries. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstanding.

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Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. This portfolio is reported at carrying value before allowance for loan losses.

December 31, 2011 ***($ in millions)***	**Within 1 year (a)**	**1-5 years**	**After 5 years**	**Total (b)**
Commercial and industrial	$ 28,247	$ 1,296	$ 74	$ 29,617
Commercial real estate	295	1,751	285	2,331
Total domestic	28,542	3,047	359	31,948
Foreign	8,007	489	24	8,520
Total commercial finance receivables and loans	$ 36,549	$ 3,536	$ 383	$ 40,468
Loans at fixed interest rates		$ 1,386	$ 305	
Loans at variable interest rates		2,150	78	
Total commercial finance receivables and loans		$ 3,536	$ 383	

(a) Includes loans (e.g., floorplan) with revolving terms.

(b) Loan maturities are based on the remaining maturities under contractual terms.

Allowance for Loan Losses

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

($ in millions)	**Consumer automobile**	**Consumer mortgage**	**Total consumer**	**Commercial**	**Total**
Allowance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(435)	(205)	(640)	(27)	(667)
Foreign	(145)	(5)	(150)	(63)	(213)
Total charge-offs	(580)	(210)	(790)	(90)	(880)
Recoveries					
Domestic	186	16	202	25	227
Foreign	73	1	74	26	100
Total recoveries	259	17	276	51	327
Net charge-offs	(321)	(193)	(514)	(39)	(553)
Provision for loan losses	154	129	283	(64)	219
Other	(37)		(37)	1	(36)

Allowance at December 31, 2011	$ 766	$ 516	$ 1,282	$ 221	$ 1,503
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2011 (a)	1.2%	5.2%	1.7%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2011 (a)	0.5%	1.9%	0.7%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2011 (a)	335.8%	152.1%	226.0%	65.3%	165.9%
Ratio of allowance for loans losses to net charge-offs at December 31, 2011	2.4	2.7	2.5	5.7	2.7

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(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2010	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222		222		222
Charge-offs					
Domestic	(776)	(239)	(1,015)	(282)	(1,297)
Foreign	(194)	(4)	(198)	(151)	(349)
Total charge-offs	(970)	(243)	(1,213)	(433)	(1,646)
Recoveries					
Domestic	319	26	345	18	363
Foreign	71	1	72	13	85
Total recoveries	390	27	417	31	448
Net charge-offs	(580)	(216)	(796)	(402)	(1,198)
Provision for loan losses	304	164	468	(26)	442
Discontinued operations				(4)	(4)
Other		(8)	(8)	(26)	(34)
Allowance at December 31, 2010	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2010 (b)	1.9%	5.4%	2.5%	0.8%	1.8%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2010 (b)	1.4%	2.0%	1.5%	1.1%	1.3%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2010 (b)	469.2%	103.4%	202.0%	43.7%	124.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2010	1.7	2.7	1.9	0.8	1.6

(a) Includes adjustment to the allowance due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses was $1.3 billion at December 31, 2011, compared to $1.6 billion at December 31, 2010. The decline reflected overall improved credit quality of newer vintages reflecting tightened underwriting standards which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was $221 million at December 31, 2011, compared to $323 million at December 31, 2010. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

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Allowance for Loan Losses by Type

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

December 31, *($ in millions)*	2011 Allowance for loan losses	2011 Allowance as a % of loans outstanding	2011 Allowance as a % of allowance for loan losses	2010 Allowance for loan losses	2010 Allowance as a % of loans outstanding	2010 Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 600	1.3%	39.9%	$ 769	2.2%	41.0%
Consumer mortgage						
1st Mortgage	275	4.0	18.3	322	4.7	17.2
Home equity	237	7.7	15.8	256	7.5	13.7
Total domestic	1,112	2.0	74.0	1,347	3.0	71.9
Foreign						
Consumer automobile	166	1.0	11.1	201	1.2	10.7
Consumer mortgage						
1st Mortgage	4	14.5	0.2	2	0.4	0.1
Home equity						
Total foreign	170	1.0	11.3	203	1.2	10.8
Total consumer loans	1,282	1.7	85.3	1,550	2.5	82.7
Commercial						
Domestic						
Commercial and industrial						
Automobile	62	0.2	4.0	73	0.3	3.9
Mortgage	1		0.1			
Other	52	4.4	3.5	97	5.4	5.2
Commercial real estate						
Automobile	39	1.7	2.6	54	2.6	2.9
Mortgage						
Total domestic	154	0.5	10.2	224	0.7	12.0
Foreign						
Commercial and industrial						
Automobile	48	0.6	3.2	33	0.4	1.7
Mortgage	10	43.1	0.7	12	30.5	0.7
Other	1	1.9	0.1	39	12.6	2.1
Commercial real estate						
Automobile	3	1.7	0.2	2	0.9	0.1
Mortgage	5	33.2	0.3	13	16.9	0.7
Total foreign	67	0.8	4.5	99	1.1	5.3
Total commercial loans	221	0.5	14.7	323	0.8	17.3
Total allowance for loan losses	$ 1,503	1.3	100.0%	$ 1,873	1.8	100.0%

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Provision for Loan Losses

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**	**2009**
Consumer			
Domestic			
Consumer automobile	$ 102	$ 228	$ 493
Consumer mortgage			
1st Mortgage	68	72	2,360
Home equity	55	90	1,588
Total domestic	225	390	4,441
Foreign			
Consumer automobile	52	76	262
Consumer mortgage			
1st Mortgage	6	2	2
Home equity			
Total foreign	58	78	264
Total consumer loans	283	468	4,705
Commercial			
Domestic			
Commercial and industrial			
Automobile	(3)	2	54
Mortgage	(3)	(13)	36
Other	(51)	(47)	348
Commercial real estate			
Automobile	(10)	34	
Mortgage	(1)	(10)	255
Total domestic	(68)	(34)	693
Foreign			
Commercial and industrial			
Automobile	16	(2)	32
Mortgage	5	(5)	17
Other	(38)	5	142
Commercial real estate			
Automobile	1	2	
Mortgage	20	8	14
Total foreign	4	8	205
Total commercial loans	(64)	(26)	898
Total provision for loan losses	$ 219	$ 442	$ 5,603

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Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates Valuation of Automobile Lease Assets and Residuals section within this MD&A.

Used vehicle market We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices most heavily influence used vehicle prices.

Residual value projections We establish risk adjusted residual values at lease inception by consulting independently published guides and periodically reviewing these residual values during the lease term. These values are projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

Remarketing abilities Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.

Manufacturer vehicle and marketing programs Automotive manufacturers influence lease residual results in the following ways:

- The brand image of automotive manufacturers and consumer demand for their products affect residual risk.
- Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.
- Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods at auction. The mix of terminated vehicles in 2011 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

Year ended December 31,	**2011**	**2010**	**2009**
Off-lease vehicles remarketed (*in units*)	248,624	376,203	369,981
Sales proceeds on scheduled lease terminations (*$ per unit*)			
24-month (a)	n/m	n/m	n/m
36-month	$ 20,157	$ 19,061	$ 16,958
48-month	16,106	14,908	12,611

n/m = not meaningful

(a) During 2011, 24-month lease terminations were not materially sufficient to create an historical multi-year comparison from that term due to our temporary curtailment of leasing in late 2008 through 2009.

The number of off-lease vehicles marketed in 2011 declined 34% from 2010. The decrease was due to our temporary curtailment of leasing in late 2008 through 2009. Proceeds increased from 2009 as market conditions

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for pricing of used vehicles improved. The improvement in proceeds was driven primarily by lower used vehicle supply, large decreases in new vehicle sales and leasing activity after the 2008 economic downturn, and subsequent corporate restructurings in the automotive industry. For information on our Investment in Operating Leases, refer to Note 1 and Note 10 to the Consolidated Financial Statements.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets, restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

Country risk is measured by determining our cross-border outstandings in accordance with Federal Financial Institutions Examination Council guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

The following table lists all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

($ in millions)	Banks	Sovereign	Other	Net local country assets	Derivatives	Total cross-border outstandings
2011 (a)						
Canada	$ 343	$ 250	$ 451	$ 3,746	$ 20	$ 4,810
Germany	47	32	5	3,219	576	3,879
United Kingdom	311	6	13	962	1,356	2,648
2010						
Canada	$ 343	$ 361	$ 349	$ 4,678	$ 19	$ 5,750
Germany	587	40	111	3,485	76	4,299
United Kingdom	627	9	37	1,133	83	1,889

(a) As of December 31, 2011, our total cross-border exposure to Portugal, Ireland, Italy, Greece, and Spain was $327 million, all of which was nonsovereign exposure.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 24 to the Consolidated Financial Statements for further derivative information.

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We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We may enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Fair Value Sensitivity Analysis

The following table and subsequent discussion presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market-exchange rates, interest rate yield curves, and equity prices. The analysis does not consider the financial offsets available through derivative activities. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, is not considered.

	2011		2010	
December 31, *($ in millions)*	**Nontrading**	**Trading**	**Nontrading**	**Trading**
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(a)	$ 549	(a)	$ 240
Effect of 10% adverse change in rates	(a)	(2)	(a)	(1)
Foreign-currency exchange rates				
Estimated fair value	$ 6,724	$	$ 7,079	$ 94
Effect of 10% adverse change in rates	(672)		(708)	(9)
Equity prices				
Estimated fair value	$ 1,059	$	$ 796	$
Effect of 10% decrease in prices	(106)		(80)	

(a) Refer to the next section titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments decreased during the year ended December 31, 2011, compared to 2010, due to increases in our foreign-denominated deposits. This increase consequently drove the decrease in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity sensitive financial instruments was due to a higher equity investment balance compared to prior year. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis to measure and manage the interest rate sensitivities of our nontrading financial instruments rather than the fair value approach. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. Simulations are used to estimate the impact on our net interest income in numerous interest rate scenarios. These simulations measure how the interest rate scenarios

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will impact net interest income on the financial instruments on the balance sheet including debt securities, loans, deposits, debt, and derivative instruments. The simulations incorporate assumptions about future balance sheet changes including loan and deposit pricing, changes in funding mix, and asset/liability repricing, prepayments, and contractual maturities.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Parallel rate shifts		
-100 basis points	$ 73	$ 54
+100 basis points	(84)	(99)
+200 basis points	88	(28)

Our net interest income was liability sensitive to parallel moves in interest rates of -100 and +100 basis points in both years ended 2011 and 2010. The positive change in net interest income in the +200 basis interest rate move in 2011 and limited adverse change in 2010 was mainly due to income on certain commercial loans that have rate index floors. Interest income on these loans increases significantly as interest rates and the related rate index rises above the level of the floor.

The change in net interest income sensitivity from December 31, 2010 was due to the change in the level of forward short-term interest rates, the impact of the change in interest rates on the commercial loans with rate index floors and balance sheet growth increasing the absolute level of net interest income. Additionally, we added net pay fixed interest rate swaps hedging certain borrowings and reduced our net receive fixed interest rate swaps hedging the debt portfolio as part of our normal ALM activities, which contributed to the change.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us.

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

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Liquidity Management, Funding, and Regulatory Capital

Overview

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

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

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally s liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank and ResMor Trust, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline projected economic scenarios as well as more severe economically stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

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

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. For additional information about our regulatory restrictions and tax implications, refer to Business Certain Regulatory Matters and Note 25 to the Consolidated Financial Statements. At December 31, 2011, we maintained $26.9 billion of total available parent company liquidity and $10.0 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At December 31, 2011, $4.9 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above amounts.

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In December 2010, the Basel Committee on Banking Supervision issued Basel III: International framework for liquidity risk measurement, standards and monitoring , which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR measures the ratio of stable funding with a maturity greater than one year to the liquidity characteristics of assets plus contingent exposures. The Basel Committee on Banking Supervision expects the LCR to be implemented beginning in January 2015 and the NSFR beginning in January 2018. We continue to monitor developments and the potential impact of these evolving proposals and expect to be able to meet the final requirements.

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets and raising deposits. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, public and private asset-backed securitizations, whole-loan asset sales, domestic and international committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

In addition, the FDIC indicated that it expected us to diversify Ally Bank s overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by expanding its securitization programs, through both public and private committed credit facilities, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our automotive finance and mortgage loan operations with a stable and low-cost funding source. At December 31, 2011, Ally Bank had $39.6 billion of total external deposits, including $27.7 billion of retail deposits. We expect that our cost of funds will continue to improve over time as our deposit base grows.

At December 31, 2011, Ally Bank maintained cash liquidity of $3.6 billion and highly liquid U.S. federal government and U.S. agency securities of $6.3 billion, excluding certain securities that were encumbered at December 31, 2011. In addition, at December 31, 2011, Ally Bank had unused capacity in committed secured funding facilities of $4.9 billion, including an equal allocation of shared unused capacity of $2.5 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an online checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. During 2011, the deposit base at Ally Bank grew $5.7 billion, ending the year at $39.6 billion from $33.9 billion at December 31, 2010. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2011 and full year 2011, we retained 92% and 89% of maturing CD balances, respectively. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve s Discount Window. At December 31, 2011, debt outstanding from the FHLB totaled $5.4 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term and often on an overnight basis. Funding from repurchase agreements is accounted for as debt on our Consolidated Balance Sheet. At December 31, 2011, and December 31, 2010, Ally Bank had no debt outstanding under repurchase agreements.

Refer to Note 15 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank s number of accounts and deposit balances by type as of the end of each quarter since 2010.

($ in millions)	**4th Quarter 2011**	**3rd Quarter 2011**	**2nd Quarter 2011**	**1st Quarter 2011**	**4th Quarter 2010**	**3rd Quarter 2010**	**2nd Quarter 2010**	**1st Quarter 2010**
Number of retail accounts	976,877	919,670	851,991	798,622	726,104	676,419	616,665	573,388
Deposits								
Retail	$ 27,685	$ 26,254	$ 24,562	$ 23,469	$ 21,817	$ 20,504	$ 18,690	$ 17,672
Brokered	9,890	9,911	9,903	9,836	9,992	9,978	9,858	9,757
Other (a)	2,029	2,704	2,405	2,064	2,108	2,538	2,267	1,914
Total deposits	$ 39,604	$ 38,869	$ 36,870	$ 35,369	$ 33,917	$ 33,020	$ 30,815	$ 29,343

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

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2011, Ally Bank completed 11 transactions and raised $9.3 billion of secured funding backed by retail automotive loans as well as dealer floorplan automotive loans. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail automotive loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset making a

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very effective funding program. Also in 2011, Ally Bank raised $1.5 billion from whole-loan sales of U.S. retail automotive loans. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At December 31, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company.

Nonbank Funding

At December 31, 2011, the parent company maintained cash liquidity in the amount of $7.9 billion and available liquidity from unused capacity in committed credit facilities of $13.2 billion, including an equal allocation of shared unused capacity of $2.5 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. The unused capacity amount at December 31, 2011 also includes $3.1 billion of availability that is expected to be utilized during 2012 and that is sourced from committed funding arrangements reliant upon the origination of future automotive receivables. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

During 2011, we completed a total of $3.8 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we offer short-term and long-term unsecured debt through a retail debt program known as SmartNotes. SmartNotes are floating-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $9.0 billion and $9.8 billion of SmartNotes outstanding at December 31, 2011, and December 31, 2010, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $2.8 billion at December 31, 2011, compared to $2.0 billion at December 31, 2010. Unsecured short-term bank loans also provide short-term funding. At December 31, 2011, we had $4.5 billion in short-term unsecured debt outstanding, an increase of $0.3 billion from December 31, 2010. Refer to Note 16 and Note 17 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. In the United States, during 2011, we completed private securitization transactions that raised $6.6 billion of funding, a $1.3 billion whole-loan sale of retail automotive loans, and two private transactions that provided new committed capacity totaling $4.5 billion. Internationally in 2011, we completed four term securitization transactions that raised $2.0 billion and we completed numerous private transactions that created new committed capacity totaling $7.8 billion. We continue to maintain significant credit capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. In addition to this facility, there are a variety of others that provide funding in various countries. At December 31, 2011, there was a total of $27.5 billion of committed capacity available exclusively for the parent company in various secured facilities around the globe.

Recent Funding Developments

In summary, during 2011, we completed funding transactions totaling over $38 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2011 and 2012 were as follows:

- We issued $3.8 billion of public term unsecured debt in 2011. In February 2012, we accessed the unsecured debt capital markets for the first time since the first half of 2011 and raised $1.0 billion.

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We raised $18.5 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions and raised $2.8 billion from whole loan sales of U.S. retail automotive loans. In 2012, we have continued to access the public asset backed securitization markets completing two U.S. transactions that raised $2.4 billion and a Canadian transaction that raised $516 million.

We created $13.3 billion of new funding capacity from the completion of new facilities and increases to existing facilities.

We renewed $25.0 billion of key funding facilities that fund our Automotive Finance and Mortgage operations.

In March, we completed a key first step in our plan to repay the U.S. taxpayer. Treasury was repaid $2.7 billion from the sale of all the Trust Preferred Securities that Treasury held with Ally. This represented the full value of Treasury s investment in these securities. Ally did not receive any proceeds from the offering of the Trust Preferred Securities.

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Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2011 from 2010 levels. In addition, deposits represent a larger portion of the overall funding mix.

December 31, ***($ in millions)***	**Bank**	**Nonbank**	**Total**	**%**
2011				
Secured financings	$ 25,533	$ 27,432	$ 52,965	37
Institutional term debt		22,456	22,456	15
Retail debt programs (a)		14,148	14,148	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	$ 65,138	$ 79,328	$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 60,630	$ 60,630	
Total off-balance sheet securitizations	$	$ 60,630	$ 60,630	
2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (b)	20,200	73,473	93,673	71
Deposits (c)	33,917	5,131	39,048	29
Total on-balance sheet funding	$ 54,117	$ 78,604	$ 132,721	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	
Total off-balance sheet securitizations	$	$ 69,356	$ 69,356	

(a) Primarily includes $9.0 billion and $9.8 billion of Ally SmartNotes at December 31, 2011 and 2010, respectively.

(b) Excludes fair value adjustment as described in Note 27 to the Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 17 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2011.

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Funding Facilities

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

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2011, $32.0 billion of our $43.1 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2011, we had $16.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
December 31, *($ in billions)*	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Bank funding						
Secured	$ 5.8	$ 6.4	$ 3.7	$ 1.9	$ 9.5	$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.3	0.8	0.5		0.8	0.8
Secured						
Automotive Finance operations (b)	14.3	8.3	13.2	9.1	27.5	17.4
Mortgage operations	0.7	1.0	0.5	0.6	1.2	1.6
Total nonbank funding	15.3	10.1	14.2	9.7	29.5	19.8
Shared capacity (c)	1.6	0.2	2.5	3.9	4.1	4.1
Total committed facilities	$ 22.7	$ 16.7	$ 20.4	$ 15.5	$ 43.1	$ 32.2

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unused capacity includes $4.9 billion as of December 31, 2011, and $1.2 billion as of December 31, 2010, from committed funding arrangements that are reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.

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

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Uncommitted Funding Facilities

December 31, *($ in billions)*	Outstanding 2011	Outstanding 2010	Unused capacity 2011	Unused capacity 2010	Total capacity 2011	Total capacity 2010
Bank funding						
Secured						
Federal Reserve funding programs	$	$	$ 3.2	$ 4.0	$ 3.2	$ 4.0
FHLB advances	5.4	5.3		0.2	5.4	5.5
Total bank funding	5.4	5.3	3.2	4.2	8.6	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.9	1.4	0.5	0.6	2.4	2.0
Secured						
Automotive Finance operations	0.1	0.1	0.1		0.2	0.1
Mortgage operations			0.1	0.1	0.1	0.1
Total nonbank funding	2.0	1.5	0.7	0.7	2.7	2.2
Total uncommitted facilities	$ 7.4	$ 6.8	$ 3.9	$ 4.9	$ 11.3	$ 11.7

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations Secured

At December 31, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank s largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. Half of this facility matures on March 28, 2012, with the remainder maturing on March 30, 2013. We are currently in the process of extending this entire facility for one year. At December 31, 2011, the amount outstanding under this facility was $5.0 billion. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations Unsecured

Revolving credit facilities At December 31, 2011, we maintained $486 million of commitments in our U.S. unsecured revolving credit facility maturing June 2012. We also maintained $268 million of committed unsecured bank facilities in Canada and $67 million in Europe. The Canadian facilities expire in June 2012 and the European facility expires in March 2012.

Facilities for Automotive Finance Operations Secured

The parent company s largest facility is a $7.5 billion revolving syndicated credit facility secured by U.S. and Canadian automotive receivables. Half of this facility matures on March 28, 2012, with the remainder maturing on March 30, 2013. We are currently in the process of extending this entire facility for one year. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At December 31, 2011, there was $250 million of debt outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At December 31, 2011, the parent company maintained exclusive access to $27.5 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a $4.1 billion committed facility that is shared with Ally Bank.

Facilities for Mortgage Operations Secured

At December 31, 2011, we had capacity of $500 million to fund eligible mortgage servicing rights and capacity of $475 million to fund mortgage servicer advances. We also maintain an additional $250 million of committed capacity to fund mortgage loans.

Cash Flows

Net cash provided by operating activities was $5.5 billion for the year ended December 31, 2011, compared to $11.6 billion in 2010. During the year ended December 31, 2011, the net cash inflow from sales and repayments of mortgage and automobile loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $0.9 billion. During the year ended December 31, 2010, this activity resulted in cash inflow of $6.3 billion.

Net cash used in investing activities was $14.1 billion for the year ended December 31, 2011, compared to $7.6 billion used in 2010. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $1.0 billion for the year ended December 31, 2011. These activities resulted in a net cash inflow of $5.1 billion for the year ended December 31, 2010. The shift in net cash flow attributable to leasing activities compared to the prior year was primarily due to a year over year increase in lease origination activity. Cash used to purchase available-for-sale investment securities, net of sales and maturities, decreased $1.5 billion during the year ended December 31, 2011, compared to 2010.

Net cash provided by financing activities for the year ended December 31, 2011, totaled $10.1 billion, compared to net cash used of $8.0 billion in 2010. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $4.3 billion for the year ended December 31, 2011. For the comparable period in 2010, cash repayments exceeded proceeds from new issuances of long-term debt by $10.5 billion. Also contributing to the increase in cash inflow was an increase in short-term borrowing obligations of $4.1 billion for the year ended December 31, 2011, compared to 2010.

Capital Planning and Stress Tests

In December 2011, Ally became subject to a new capital planning and stress test regime generally applicable to bank holding companies with $50 billion or more of consolidated assets. The new regime requires Ally to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally s consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally s proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review which required us to submit a revised capital plan in the near future. It is unknown whether the FRB will accept Ally s revised plan as submitted or require further revisions.

Regulatory Capital

Refer to Note 23 to the Consolidated Financial Statements.

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Credit Ratings

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

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

Rating agency	Commercial paper	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Negative	February 2, 2012 (a)
Moody s	Not-Prime	B1	Stable	February 7, 2011 (b)
S&P	C	B+	Stable	May 4, 2011 (c)
DBRS	R-4	BB-Low	Positive	February 4, 2011 (d)

(a) Fitch downgraded our senior debt to BB- from BB, affirmed the commercial paper rating of B, and changed the outlook to Negative on February 2, 2012.

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

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

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

Insurance Financial Strength Ratings

Substantially all of our U.S. Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. Our Insurance operations outside the United States are not rated.

On July 20, 2010, A.M. Best removed our U.S. insurance companies from under review with developing implications and affirmed the FSR of B++ (good) and the ICR of BBB.

Off-balance Sheet Arrangements

Refer to Note 11 to the Consolidated Financial Statements.

Securitization

Securitization of assets allows us to diversify funding sources by enabling us to convert assets into cash earlier than what would have occurred in the normal course of business. Information regarding our securitization activities is further described in Note 11 to the Consolidated Financial Statements. As part of these activities, assets are generally sold to securitization entities. These securitization entities are separate legal entities that assume the risk and reward of ownership of the receivables. Neither we nor those subsidiaries are responsible for the other entities debts, and the assets of the subsidiaries are not available to satisfy our claim or those of our

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creditors. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of asset- or mortgage-backed securities issued by the trust. The trusts activities are generally limited to acquiring the assets, issuing asset- or mortgage-backed securities, making payments on the securities, and periodically reporting to the investors. We may account for the transfer of assets as a sale if we either do not hold a significant variable interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity.

Certain of our securitization transactions, while similar in legal structure to the transaction described in the foregoing do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail contracts, wholesale loans, automobile leases, or mortgage loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2011 and 2010, $78.5 billion and $72.6 billion of our total assets, respectively, were related to secured financings. Refer to Note 17 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may earn other related ongoing income. The amount of the fees earned is disclosed in Note 12 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts; these interests are reported as trading assets, investment securities, or other assets on our Consolidated Balance Sheet and are disclosed in Notes 6, 7, and 14 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first loss position related to the sold assets.

The FDIC, which regulates Ally Bank, promulgated a new safe harbor regulation for securitizations by banks which took effect on January 1, 2011. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. This risk retention requirement adversely affects the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

We sometimes use derivative financial instruments to facilitate securitization activities, as further described in Note 24 to the Consolidated Financial Statements.

Our economic exposure related to the securitization trusts is generally limited to cash reserves, our other interests retained in financial asset sales, and our customary representation and warranty provisions described in Note 11 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise by us, as servicer of a cleanup call option, when the servicing of the sold contracts becomes burdensome. In addition, the trusts do not invest in our equity or in the equity of any of our affiliates.

Purchase Obligations

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

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Loan Repurchases and Obligations Related to Loan Sales

Overview Certain mortgage companies (Mortgage Companies) within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan s compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has provided Ally Bank a guaranteed coverage of certain of these liabilities.

Originations The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

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

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

Repurchase Process After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or

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

During the year ended December 31, 2011, we experienced a decrease in new claims compared to 2010, in part due to settlements with certain counterparties. The following table presents new claims by vintage (original unpaid principal balance).

Year ended December 31, ***($ in millions)***	**2011**	**2010**
2004 and prior period	$ 36	$ 46
2005	43	58
2006	291	235
2007	116	461
2008	147	255
Post 2008	157	60
Unspecified		4
Total claims (a)	$ 790	$ 1,119

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

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

Refer to Note 31 to the Consolidated Financial Statements for additional information related to representation and warranties.

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**
GSEs	$ 143	$ 389
Private-label securitizations		
Insured (monolines)	1	13
Uninsured	37	
Whole-loan/other	9	82
Total loan repurchases	$ 190	$ 484

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

Year ended December 31, ***($ in millions)***	**2011**	**2010**
GSEs	$ 59	$ 228
Private-label securitizations		
Insured (monolines)	13	27
Uninsured	167	
Whole-loan/other	26	11
Total indemnification payments	$ 265	$ 266

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

	2011		**2010**	
December 31, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
GSEs	357	$ 71	833	$ 170(a)
Monolines				
MBIA	7,314	490	6,819	466
FGIC	4,608	369	1,109	164
Other	730	58	278	31
Whole-loan/other	513	81	392	88
Total number of loans and unpaid principal balance (b)	13,522	$ 1,069	9,431	$ 919

(a) This amount is gross of any loans that would be removed due to the Fannie Mae settlement. At December 31, 2010, $48 million of outstanding claims were covered under the Fannie Mae settlement agreement.

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

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

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

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At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Consolidated Statement of Income. The repurchase reserve at December 31, 2011, relates primarily to non-GSE exposure.

Government-sponsored Enterprises Between 2004 and 2008, the applicable Mortgage Companies sold $250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the year ended December 31, 2011, the applicable Mortgage Companies received repurchase claims relating to $441 million of original unpaid principal balance of which $285 million are associated with the 2004 through 2008 vintages. The remaining $156 million in repurchase claims relate to post-2008 vintages. During the year ended December 31, 2011, the applicable Mortgage Companies resolved claims with respect to $540 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $349 million of original unpaid principal balance, and rescinded claims related to $191 million of original unpaid principal balance. The applicable Mortgage Companies representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label mortgage-backed securities (MBS) in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $10.9 billion. For the year ended December 31, 2011, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was $31 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was $15 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) non-loan-level representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac s charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and Freddie Mac. The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response

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to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac s private-label securities investments. Refer to the Legal Proceedings described in Note 31 to the Consolidated Financial Statements for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $24.4 billion. For the year ended December 31, 2011, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was $66 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $13 million. These other specified categories include, among others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary s expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower s default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

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

($ in millions)	**2011**	**2010**
Balance at January 1,	$ 170	$ 296
New claims (a)	441	842
Resolved claims (b)	(349)	(756)
Rescinded claims/other	(191)	(212)
Balance at December 31,	$ 71	$ 170

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

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

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Monoline Insurers Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. For the period 2004 through 2007, the Mortgage Companies sold $42.7 billion of loans into these monoline-wrapped securitizations. During the year ended December 31, 2011, the Mortgage Companies received repurchase claims related to $265 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to $20 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely. Refer to Note 31 to the Consolidated Financial Statements for information with respect to pending litigation.

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

($ in millions)	**2011**	**2010**
Balance at January 1,	$ 661	$ 553
New claims (a)	265	151
Resolved claims (b)	(20)	(36)
Rescinded claims/other	11	(7)
Balance at December 31,	$ 917	$ 661

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

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

Private-label Securitization Historically, our Mortgage operations were very active in the securitization market selling whole loans into special-purpose entities and selling these private-label MBS to investors.

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

($ in billions)	**Original UPB**	**Current UPB at December 31, 2011**	**UPB at December 31, 2010**
RFMSI (Prime)	$ 21.8	$ 8.3	$ 10.0
RALI (Option ARM and Alt-A)	66.7	26.2	30.7
RAMP (HELOC and Subprime)	55.9(a)	12.9	15.0
RASC (Subprime)	36.8	8.0	9.0
RFMSII (HELOC)	0.9	0.3	0.3
Total	$ 182.1	$ 55.7	$ 65.0

(a) RAMP original unpaid principal balance comprises $37.7 billion subprime, $8.8 billion prime, and $9.4 billion other.

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

($ in billions)	Original UPB	Current UPB at December 31, 2011	UPB at December 31, 2010
RFMSI (Prime)	$ 1.7	$ 0.5	$ 0.6
RALI (Option ARM and Alt-A)	1.4	0.6	0.7
RAMP (HELOC and Subprime)	26.5	6.3	7.3
RASC (Subprime)	3.6	0.6	0.7
RFMSII (HELOC)	9.5	2.1	2.6
Total	$ 42.7	$ 10.1	$ 11.9

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

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

Whole-loan Sales In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the year ended December 31, 2011, certain of our Mortgage Companies have received $84 million of original unpaid principal balance in repurchase claims of which $83 million are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to $91 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

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The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our whole-loan sales exposure.

($ in millions)	**2011**	**2010**
Balance at January 1,	$ 88	$ 70
New claims (a)	84	126
Resolved claims (b)	(34)	(44)
Rescinded claims/other	(57)	(64)
Balance at December 31,	$ 81	$ 88

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

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

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance, they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At December 31, 2011, the applicable Mortgage Companies have approximately $227 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Private-label Mortgage-backed Securities Litigation, Repurchase Obligations, and Related Claims

We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters described in Note 31 to the Consolidated Financial Statements and potential repurchase obligations and related claims with respect to our Mortgage Companies discussed above could occur, and such losses could have a material adverse impact on our results of operations, financial position, or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above reserves that have been established.

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. Our guarantees include standby letters of credit and certain contract provisions regarding securitizations and sales. Refer to Note 30 to the Consolidated Financial Statements for more information regarding our outstanding guarantees to third parties.

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Aggregate Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

		Payments due by period			
December 31, 2011 ***($ in millions)***	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Description of obligation					
Long-term debt					
Total (a)	$ 93,930	$ 26,535	$ 34,407	$ 11,292	$ 21,696
Scheduled interest payments for fixed-rate long-term debt	26,286	3,434	4,542	3,655	14,655
Estimated interest payments for variable-rate long-term debt (b)	1,516	594	864	52	6
Estimated net payments under interest rate swap agreements (b)	72				72
Originate/purchase mortgages or securities	6,741	6,672			69
Commitments to provide capital to investees	56	35	3	8	10
Home equity lines of credit	2,234	207	654	502	871
Lending commitments	2,322	1,289	671	339	23
Lease commitments	316	83	129	67	37
Purchase obligations	777	291	418	47	21
Bank certificates of deposit	30,498	15,571	8,815	6,112	
Total	$ 164,748	$ 54,711	$ 50,503	$ 22,074	$ 37,460

(a) Total amount reflects the remaining principal obligation and excludes original issue discount of $2.2 billion related to the December 2008 bond exchange and fair value adjustments of $1.1 billion related to fixed-rate debt designated as a hedged item.

(b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2011.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total $580 million at December 31, 2011. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years. Similarly, due to uncertainty in the timing of future cash flows related to our unrecognized tax benefits, the contractual obligations detailed above do not include $198 million in unrecognized tax benefits.

The following provides a description of the items summarized in the preceding table of contractual obligations.

Long-term Debt

Amounts represent the scheduled maturity of long-term debt at December 31, 2011, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 16 and Note 17 to the Consolidated Financial Statements for additional information on our debt obligations.

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Originate/Purchase Mortgages or Securities

As part of our Mortgage operations, we enter into commitments to originate and purchase mortgages and MBS. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Commitments to Provide Capital to Investees

As part of arrangements with specific private equity funds, we are obligated to provide capital to investees. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Home Equity Lines of Credit

We are committed to fund the future remaining balance on unused lines of credit on mortgage loans. The funding is subject to customary lending conditions, such as a satisfactory credit rating, delinquency status, and adequate home equity value. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Lending Commitments

Our Automotive Finance operations, Mortgage operations, and Commercial Finance Group have outstanding revolving lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2011. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Lease Commitments

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2011. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Purchase Obligations

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 30 to the Consolidated Financial Statements for additional information.

Bank Certificates of Deposit

Refer to Note 15 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management s Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

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Fair Value Measurements

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 27 to the Consolidated Financial Statements for a description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 27 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

Year ended December 31, ***($ in millions)***	**2011**	**2010**
Assets at fair value	$ 30,172	$ 33,001
As a percentage of total assets	16%	19%
Liabilities at fair value	$ 6,299	$ 4,832
As a percentage of total liabilities	4%	3%
Assets at fair value using Level 3 inputs	$ 4,666	$ 6,969
As a percentage of assets at fair value	15%	21%
Liabilities at fair value using Level 3 inputs	$ 878	$ 1,090
As a percentage of liabilities at fair value	14%	23%

Level 3 assets declined 33% or $2.3 billion primarily due to a decline in mortgage servicing rights caused by a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. The decline in the Level 3 assets was also attributable to settlements of interests retained in securitization trusts and the fair value-elected finance receivables and loans, net. As the value of the finance receivable and loans, net declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 19% or $212 million. The on-balance sheet securitization debt is also at fair value under the fair value option election.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

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Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management s estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 9 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial loan portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations, Commercial Finance Group, and Mortgage operations. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

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The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower, collateral, and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

Valuation of Automobile Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. We establish risk adjusted residual values based on independently published residuals. Risk adjustments are determined at lease inception and are based on current auction results adjusted for key variables that historically have shown an impact on auction values (as further described in the Lease Residual Risk discussion in the Risk Management section of this MD&A). The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Over the life of the lease, management evaluates the adequacy of the estimate of the realizable value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Any adjustments would result in a change in the depreciation rate of the lease asset, thereby affecting the carrying value of the operating lease asset.

In addition to estimating the residual value at lease termination, we must also evaluate the current value of the operating lease assets and test for impairment to the extent necessary in accordance with applicable accounting standards. Impairment is determined to exist if the undiscounted expected future cash flows (including the expected residual value) are lower than the carrying value of the asset. There were no such impairment charges in 2011 or 2010.

Our depreciation methodology on operating lease assets considers management s expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

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Valuation of Mortgage Servicing Rights

Mortgage servicing rights represent the capitalized value of the right to receive future cash flows from the servicing of mortgage loans for others. Mortgage servicing rights are a significant source of value derived from the sale or securitization of mortgage loans. Because residential mortgage loans typically contain a prepayment option, borrowers may often elect to prepay their mortgage loans by refinancing at lower rates during declining interest rate environments. The borrower s ability to prepay is at times impacted by other factors in the current environment that may limit their eligibility to access a refinance (e.g. a high loan-to-value ratio). When this occurs, the stream of cash flows generated from servicing the original mortgage loan is terminated. As such, the market value of mortgage servicing rights has historically been very sensitive to changes in interest rates and tends to decline as market interest rates decline and increase as interest rates rise.

We capitalize mortgage servicing rights on residential mortgage loans that we have originated and purchased based on the fair market value of the servicing rights associated with the underlying mortgage loans at the time the loans are sold or securitized. GAAP requires that the value of mortgage servicing rights be determined based on market transactions for comparable servicing assets, if available. In the absence of representative market trade information, valuations should be based on other available market evidence and modeled market expectations of the present value of future estimated net cash flows that market participants would expect from servicing. When observable prices are not available, management uses internally developed discounted cash flow models to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rate, interest rates, default rates and discount rates that management believes approximate yields required by investors for these assets. Servicing cash flows primarily include servicing fees, escrow account income, ancillary income and late fees, less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. Management considers the best available information and exercises significant judgment in estimating and assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

We use the following key assumptions in our valuation approach.

Prepayment The most significant drivers of mortgage servicing rights value are actual and forecasted portfolio prepayment behavior. Prepayment speeds represent the rate at which borrowers repay their mortgage loans prior to scheduled maturity. Prepayment speeds are influenced by a number of factors such as the value of collateral, competitive market factors, government programs or incentives, or levels of foreclosure activity. However, the most significant factor influencing prepayment speeds is generally the interest rate environment. As interest rates rise, prepayment speeds generally slow, and as interest rates decline, prepayment speeds generally accelerate. When mortgage loans are paid or expected to be paid earlier than originally estimated, the expected future cash flows associated with servicing such loans are reduced. We primarily use third-party models to project residential mortgage loan payoffs. In other cases, we estimate prepayment speeds based on historical and expected future prepayment rates. We measure model performance by comparing prepayment predictions against actual results at both the portfolio and product level.

Discount rate The cash flows of our mortgage servicing rights are discounted at prevailing market rates, which include an appropriate risk-adjusted spread, which management believes approximates yields required by investors for these assets.

Base mortgage rate The base mortgage rate represents the current market interest rate for newly originated mortgage loans. This rate is a key component in estimating prepayment speeds of our portfolio because the difference between the current base mortgage rate and the interest rates on existing loans in our portfolio is an indication of the borrower s likelihood to refinance.

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Cost to service In general, servicing cost assumptions are based on internally projected actual expenses directly related to servicing. These servicing cost assumptions are compared to market-servicing costs when market information is available. Our servicing cost assumptions include expenses associated with our activities related to loans in default.

Volatility Volatility represents the expected rate of change of interest rates. The volatility assumption used in our valuation methodology is intended to estimate the range of expected outcomes of future interest rates. We use implied volatility assumptions in connection with the valuation of our mortgage servicing rights. Implied volatility is defined as the expected rate of change in interest rates derived from the prices at which options on interest rate swaps, or swaptions, are trading. We update our volatility assumptions for the change in implied swaptions volatility during the period, adjusted by the ratio of historical mortgage to swaption volatility.

We also periodically perform a series of reasonableness tests as we deem appropriate, including the following.

Review and compare data provided by an independent third-party broker. We evaluate and compare our fair value price, multiples, and underlying assumptions to data provided by independent third-party broker, including prepayment speeds, discount rates, cost to service, and fair value multiples.

Review and compare pricing of publicly traded interest-only securities. We evaluate and compare our fair value to publicly traded interest-only stripped MBS by age and coupon for reasonableness.

Review and compare fair value price and multiples. We evaluate and compare our fair value price and multiples to market fair value price and multiples in external surveys produced by third parties.

Compare actual monthly cash flows to projections. We reconcile actual monthly cash flows to those projected in the mortgage servicing rights valuation. Based on the results of this reconciliation, we assess the need to modify the individual assumptions used in the valuation. This process ensures the model is calibrated to actual servicing cash flow results.

Review and compare recent bulk mortgage servicing right acquisition activity. We evaluate market trades for reliability and relevancy and then consider, as appropriate, our estimate of fair value of each significant transaction to the traded price. Currently, there is a lack of comparable transactions between willing buyers and sellers in the bulk acquisition market, which are the best indicators of fair value. However, we continue to monitor and track market activity on an ongoing basis.

We generally expect our valuation to be within a reasonable range of that implied by these tests. Changes in these assumptions could have a significant impact on the determination of fair market value. In order to develop our best estimate of fair value, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration other factors that may not be captured. If we determine our valuation has exceeded the reasonable range, we may adjust it accordingly. At December 31, 2011, based on the market information obtained, we determined that our mortgage servicing rights valuations and assumptions used to value those servicing rights were reasonable and consistent with what an independent market participant would use to value the asset.

The assumptions used in modeling expected future cash flows of mortgage servicing rights have a significant impact on the fair value of mortgage servicing rights and potentially a corresponding impact to earnings. Refer to Note 12 to the Consolidated Financial Statements for sensitivity analysis.

Goodwill

The accounting for goodwill is discussed in Note 14 to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, as of August 31, or in interim periods if events or circumstances indicate a potential impairment. Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. For more information on our segments, refer to Note 28 to the Consolidated Financial Statements.

Goodwill impairment testing involves managements judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings, transaction, and/or pricing multiples) and discounted cash flow methods. In applying these methodologies we utilize a number of factors, including actual operating results, future business plans, economic projections, and market data. A combination of methodologies is used and weighted appropriately for each reporting unit. If actual results differ from these estimates, it may have an adverse impact on the valuation of goodwill that could result in a reduction of the excess over carrying value and possible impairment of goodwill. At December 31, 2011, we did not have material goodwill at our reporting units that is at risk of failing Step 1 of the goodwill impairment test.

Determination of Reserves for Insurance Losses and Loss Adjustment Expenses

Our Insurance operations include an array of insurance underwriting, including vehicle service contracts and consumer products that create a liability for unpaid losses and loss adjustment expenses incurred (further described in Insurance). The reserve for insurance losses and loss adjustment expenses represents an estimate of our liability for the unpaid cost of insured events that have occurred as of a point in time but have not yet been paid. More specifically, it represents the accumulation of estimates for reported losses and an estimate for losses incurred, but not reported, including claims adjustment expenses at the end of any given accounting period.

Our Insurance operations claim personnel estimate reported losses based on individual case information or average payments for categories of claims. An estimate for current incurred, but not reported, claims is also recorded based on the actuarially determined expected loss ratio for a particular product, which also considers significant events that might change the expected loss ratio, such as severe weather events and the estimates for reported claims. These estimates of the reserves are reviewed regularly by product line management, by actuarial and accounting staffs, and ultimately, by senior management.

Our Insurance operations actuaries assess reserves for each business at the lowest meaningful level of homogeneous data in each type of insurance, such as general or product liability and automobile physical damage. The purpose of these assessments is to confirm the reasonableness of the reserves carried by each of the individual subsidiaries and product lines and, thereby, the Insurance operations overall carried reserves. The selection of an actuarial methodology is judgmental and depends on variables such as the type of insurance, its expected payout pattern, and the manner in which claims are processed. Special characteristics such as deductibles, reinsurance recoverable, or special policy provisions are also considered in the reserve estimation process. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against the provision for losses. Our reserves include a liability for the related costs that are expected to be incurred in connection with settling and paying the claim. These loss adjustment expenses are generally established as a percentage of loss reserves. Our reserve process considers the actuarially calculated reserves based on prior patterns of claim incurrence and payment and the degree of incremental volatility associated with the underlying risks for the types of insurance; it represents management s best estimate of the ultimate liability. Since the reserves are based on estimates, the ultimate liability may be more or less than our reserves. Any necessary adjustments, which may be significant, are included in earnings in the period in which they are deemed necessary. These changes may be material to our results of operations and financial condition and could occur in a future period.

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Our determination of the appropriate reserves for insurance losses and loss adjustment expenses for significant business components is based on numerous assumptions that vary based on the underlying business and related exposure.

Vehicle service contracts Vehicle service contract losses are generally reported and settled quickly through dealership service departments resulting in a relatively small balance of outstanding claims at any point in time relative to the volume of claims processed annually. Vehicle service contract claims are primarily composed of parts and labor for repair or replacement of the affected components or systems. Changes in the cost of replacement parts and labor rates will affect the cost of settling claims. Considering the short time frame between a claim being incurred and paid, changes in key assumptions (e.g., part prices, labor rates) would have a minimal impact on the loss reserve as of a point in time. The loss reserve amount is influenced by the estimate of the lag between vehicles being repaired at dealerships and the claim being reported by the dealership.

Personal automobile Automobile insurance losses are principally a function of the number of occurrences (e.g., accidents or thefts) and the severity (e.g., the ultimate cost of settling the claim) for each occurrence. The number of incidents is generally driven by the demographics and other indicators or predictors of loss experience of the insured customer base including geographic location, number of miles driven, age, sex, type and cost of vehicle, and types of coverage selected. The severity of each claim, within the limits of the insurance purchased, is generally random and settles to an average over a book of business, assuming a broad distribution of risks. Changes in the severity of claims have an impact on the reserves established at a point in time. Changes in bodily injury claim severity are driven primarily by inflation in the medical sector of the economy. Changes in automobile physical damage claim severity are caused primarily by inflation in automobile repair costs, automobile parts prices, and used car prices. However, changes in the level of the severity of claims paid may not necessarily match or track changes in the rate of inflation in these various sectors of the economy.

At December 31, 2011, we concluded that our insurance loss reserves were reasonable and appropriate based on the assumptions and data used in determining the estimate. However, because insurance liabilities are based on estimates, the actual claims ultimately paid may vary from the estimates.

Legal and Regulatory Reserves

Our legal and regulatory reserves reflect management s best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When the loss contingency related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to such loss contingency and record a corresponding amount to other operating expenses. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

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For details regarding the nature of all material contingencies, refer to Note 31 to the Consolidated Financial Statements.

Loan Repurchase and Obligations Related to Loan Sales

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

Determination of Provision for Income Taxes

As of June 30, 2009, we converted from an LLC to a Delaware corporation, thereby ceasing to be a pass-through entity for income tax purposes. As a result, we adjusted our deferred tax assets and liabilities to reflect the estimated future corporate effective tax rate. Our banking, insurance, and foreign subsidiaries were generally always corporations and continued to be subject to tax and provide for U.S. federal, state, and foreign income taxes.

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management s best assessment of estimated future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss). For the years ended December 31, 2011 and 2010, we have concluded that the negative evidence is more objective and therefore outweighs the positive evidence, and therefore we have recorded total valuation allowances on net deferred tax assets of $2.2 billion and $2.0 billion, respectively.

A sustained period of profitability in our U.S. operations is required before we would change our judgment regarding the need for a full valuation allowance against our net U.S. deferred tax assets. Our cumulative pretax losses in the three-year period ending with the current quarter are significant objectively verifiable negative evidence regarding future profitability. However, weight of this negative evidence decreased during 2011 as losses incurred during 2008 became more distant. We continue to believe, however, that losses experienced in the previous three-year period serve as negative evidence outweighing subjectively determined positive evidence, and accordingly, we have not changed our judgment regarding the need for a valuation allowance against our U.S. net deferred tax assets at December 31, 2011. Looking forward, continued decreases in negative objective evidence could potentially lead to a reversal of a portion of our U.S. valuation allowance in 2012. Until such time, utilization of tax attributes to offset U.S.-based taxable income will continue to reduce the overall level of our U.S. deferred tax assets and related valuation allowance.

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For additional information regarding our provision for income taxes, refer to Note 25 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

Statistical Tables

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Consolidated Financial Statements and the notes thereto, which appear elsewhere in this prospectus.

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Net Interest Margin Tables

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Year ended December 31, *($ in millions)*	2011 Average balance (a)	2011 Interest income/ interest expense	2011 Yield/ rate	2010 Average balance (a)	2010 Interest income/ interest expense	2010 Yield/ rate	2009 Average balance (a)	2009 Interest income/ interest expense	2009 Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	$ 12,376	$ 54	0.44%	$ 13,964	$ 69	0.49%	$ 14,065	$ 98	0.70%
Trading assets	366	19	5.19	252	15	5.95	985	132	13.40
Investment securities (b)	14,551	373	2.56	11,312	339	3.00	9,446	211	2.23
Loans held-for-sale, net	9,365	332	3.55	13,506	601	4.45	12,542	416	3.32
Finance receivables and loans, net (c)(d)	110,650	6,635	6.00	92,224	6,546	7.10	92,567	6,471	6.99
Investment in operating leases, net (e)	9,031	1,260	13.95	12,064	1,693	14.03	21,441	1,916	8.94
Total interest-earning assets	156,339	8,673	5.55	143,322	9,263	6.46	151,046	9,244	6.12
Noninterest-bearing cash and cash equivalents	1,305			686			1,144		
Other assets	24,948			35,040			28,910		
Allowance for loan losses	(1,756)			(2,363)			(3,208)		
Total assets	$ 180,836			$ 176,685			$ 177,892		
Liabilities									
Interest-bearing deposit liabilities	$ 41,136	$ 700	1.70%	$ 33,355	$ 641	1.92%	$ 24,159	$ 677	2.80%
Short-term borrowings	7,209	314	4.36	7,601	324	4.26	9,356	465	4.97
Long-term debt (f)(g)(h)	90,410	5,209	5.76	87,270	5,701	6.53	97,939	5,949	6.07
Total interest-bearing liabilities (f)(g)(i)	138,755	6,223	4.48	128,226	6,666	5.20	131,454	7,091	5.39
Noninterest-bearing deposit liabilities	2,239			2,082			1,955		
Total funding sources (g)(j)	140,994	6,223	4.41	130,308	6,666	5.12	133,409	7,091	5.32
Other liabilities	19,682			25,666			20,231		
Total liabilities	160,676			155,974			153,640		
Total equity	20,160			20,711			24,252		
Total liabilities and equity	$ 180,836			$ 176,685			$ 177,892		
Net financing revenue		$ 2,450			$ 2,597			$ 2,153	
Net interest spread (k)			1.07%			1.26%			0.73%
Net interest spread excluding original issue discount (k)			1.79%			2.32%			1.75%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (k)			1.85%			2.38%			1.82%
Net yield on interest earning assets (l)			1.57%			1.81%			1.43%
Net yield on interest earning assets excluding original issue discount (l)			2.15%			2.65%			2.18%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

(b) Excludes income on equity investments of $25 million, $17 million and $9 million at December 31, 2011, 2010 and 2009, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

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(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to the Consolidated Financial Statements.

(d) Includes other interest income of $20 million, $9 million and $92 million at December 31, 2011, 2010 and 2009, respectively.

(e) Includes gains on sale of $395 million, $723 million and $530 million during the year ended December 31, 2011, 2010 and 2009, respectively. Excluding these gains on sale, the yield would be 9.58%, 8.04% and 9.64% at December 31, 2011, 2010 and 2009, respectively.

(f) Includes the effects of derivative financial instruments designated as hedges.

(g) Average balance includes $2,522 million, $3,710 million and $4,804 million related to original issue discount at December 31, 2011, 2010 and 2009, respectively. Interest expense includes original issue discount amortization of $912 million, $1,204 million and $1,143 million during the year ended December 31, 2011, 2010 and 2009, respectively.

(h) Excluding original issue discount the rate on long-term debt was 4.62%, 4.94% and 4.68% at December 31, 2011, 2010 and 2009, respectively.

(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.76%, 4.14% and 4.37% at December 31, 2011, 2010, and 2009, respectively.

(j) Excluding original issue discount the rate on total funding sources is 3.70%, 4.08% and 4.30% at December 31, 2011, 2010, and 2009, respectively.

(k) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities.

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

The following table presents an analysis of the changes in net interest income, volume and rate.

	2011 vs 2010			2010 vs 2009		
	Increase (decrease) due to (a)			Increase (decrease) due to (a)		
Year ended December 31, ***($ in millions)***	**Volume**	**Yield/ rate**	**Total**	**Volume**	**Yield/ rate**	**Total**
Assets						
Interest-bearing cash and cash equivalents	$ (8)	$ (7)	$ (15)	$ (1)	$ (28)	$ (29)
Trading assets	6	(2)	4	(67)	(50)	(117)
Investment securities	88	(54)	34	47	81	128
Loans held-for-sale, net	(162)	(107)	(269)	34	151	185
Finance receivables and loans, net	1,193	(1,104)	89	(24)	99	75
Investment in operating leases, net	(423)	(10)	(433)	(1,045)	822	(223)

Total interest-earning assets	$ 694	$ (1,284)	$ (590)	$ (1,056)	$ 1,075	$ 19
Liabilities						
Interest-bearing deposit liabilities	$ 138	$ (79)	$ 59	$ 213	$ (249)	$ (36)
Short-term borrowings	(17)	7	(10)	(80)	(61)	(141)
Long-term debt	199	(691)	(492)	(677)	429	(248)
Total interest-bearing liabilities	320	(763)	(443)	(544)	119	(425)
Net financing revenue	$ 374	$ (521)	$ (147)	$ (512)	$ 956	$ 444

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

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Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, *($ in millions)*	**2011**	**2010**	**2009**	**2008**	**2007**
Consumer					
Domestic					
Consumer automobile	$ 46,576	$ 34,604	$ 12,514	$ 16,281	$ 20,030
Consumer mortgage					
1st Mortgage	6,997	7,057	7,960	13,542	24,941
Home equity	3,575	3,964	4,238	7,777	9,898
Total domestic	57,148	45,625	24,712	37,600	54,869
Foreign					
Consumer automobile	16,883	16,650	17,731	21,705	25,576
Consumer mortgage					
1st Mortgage	256	742	405	4,604	7,320
Home equity			1	54	4
Total foreign	17,139	17,392	18,137	26,363	32,900
Total consumer loans	74,287	63,017	42,849	63,963	87,769
Commercial					
Domestic					
Commercial and industrial					
Automobile (a)	26,552	24,944	19,604	16,913	17,463
Mortgage	1,887	1,540	1,572	1,627	3,001
Other	1,178	1,795	2,688	3,257	3,430
Commercial real estate					
Automobile	2,331	2,071	2,008	1,941	
Mortgage		1	121	1,696	2,943
Total domestic	31,948	30,351	25,993	25,434	26,837
Foreign					
Commercial and industrial					
Automobile (b)	8,265	8,398	7,943	10,749	11,922
Mortgage	24	41	96	195	614
Other	63	312	437	960	1,704
Commercial real estate					
Automobile	154	216	221	167	
Mortgage	14	78	162	260	536
Total foreign	8,520	9,045	8,859	12,331	14,776
Total commercial loans	40,468	39,396	34,852	37,765	41,613
Total finance receivables and loans (c)	$ 114,755	$ 102,413	$ 77,701	$ 101,728	$ 129,382
Loans held-for-sale	$ 8,557	$ 11,411	$ 20,625	$ 7,919	$ 20,559

(a) Amount includes Notes Receivable from General Motors of $3 million at December 31, 2009.

(b) Amounts include Notes Receivable from General Motors of $529 million, $484 million, $908 million, $1.7 billion, and $1.9 billion at December 31, 2011, 2010, 2009, 2008, and 2007, respectively.

(c) Includes historical cost, fair value, and repurchased loans.

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Nonperforming Assets

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**2008**
Consumer				
Domestic				
Consumer automobile	$ 139	$ 129	$ 267	$ 294
Consumer mortgage				
1st Mortgage	316	452	782	2,547
Home equity	91	108	114	540
Total domestic	546	689	1,163	3,381
Foreign				
Consumer automobile	89	78	119	125
Consumer mortgage				
1st Mortgage	142	261	33	1,034
Home equity				
Total foreign	231	339	152	1,159
Total consumer (a)	777	1,028	1,315	4,540
Commercial				
Domestic				
Commercial and industrial				
Automobile	105	261	281	1,448
Mortgage			37	140
Other	22	37	856	64
Commercial real estate				
Automobile	56	193	256	153
Mortgage		1	56	1,070
Total domestic	183	492	1,486	2,875
Foreign				
Commercial and industrial				
Automobile	118	35	66	7
Mortgage		40	35	
Other	15	97	131	19
Commercial real estate				
Automobile	11	6	24	2
Mortgage	12	70	141	143
Total foreign	156	248	397	171
Total commercial (b)	339	740	1,883	3,046
Total nonperforming finance receivables and loans	1,116	1,768	3,198	7,586
Foreclosed properties	82	150	255	787
Repossessed assets (c)	56	47	58	95

Total nonperforming assets	$ 1,254	$ 1,965	$ 3,511	$ 8,468
Loans held-for-sale	$ 2,820	$ 3,273	$ 3,390	$ 731

(a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was $100 million during the year ended December 31, 2011. Interest income recorded for these loans was $48 million during the year ended December 31, 2011.

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(b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was $41 million during the year ended December 31, 2011. Interest income recorded for these loans was $25 million during the year ended December 31, 2011.

(c) Repossessed assets exclude $3 million, $14 million, $23 million, and $34 million of repossessed operating lease assets at December 31, 2011, 2010, 2009, and 2008, respectively.

Accruing Finance Receivables and Loans Past Due 90 Days or More

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, ***($ in millions)***	**2011**	**2010**	**2009**	**2008**
Consumer				
Domestic				
Consumer automobile	$	$	$	$ 19
Consumer mortgage				
1st Mortgage	1	1	1	33
Home equity				
Total domestic	1	1	1	52
Foreign				
Consumer automobile	3	5	5	40
Consumer mortgage				
1st Mortgage			1	
Home equity				
Total foreign	3	5	6	40
Total consumer	4	6	7	92
Commercial				
Domestic				
Commercial and industrial				
Automobile				
Mortgage				
Other				
Commercial real estate				
Automobile				
Mortgage				
Total domestic				
Foreign				
Commercial and industrial				
Automobile				
Mortgage				
Other			3	
Commercial real estate				
Automobile				
Mortgage				
Total foreign			3	

Total commercial			3	
Total accruing finance receivables and loans past due 90 days or more	$ 4	$ 6	$ 10	$ 92
Loans held-for-sale	$ 73	$ 25	$ 33	$ 7

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Allowance for Loan Losses

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

($ in millions)	2011	2010	2009	2008	2007
Balance at January 1,	$ 1,873	$ 2,445	$ 3,433	$ 2,755	$ 3,576
Cumulative effect of change in accounting principles (a)		222		(616)	(1,540)
Charge-offs					
Domestic	(667)	(1,297)	(3,380)	(2,192)	(2,398)
Foreign	(213)	(349)	(633)	(347)	(293)
Write-downs related to transfers to held-for-sale			(3,438)		
Total charge-offs	(880)	(1,646)	(7,451)	(2,539)	(2,691)
Recoveries					
Domestic	227	363	276	219	224
Foreign	100	85	76	71	74
Total recoveries	327	448	352	290	298
Net charge-offs	(553)	(1,198)	(7,099)	(2,249)	(2,393)
Provision for loan losses	219	442	5,603	3,102	3,038
Discontinued operations		(4)	567	308	29
Other	(36)	(34)	(59)	133	45
Balance at December 31,	$ 1,503	$ 1,873	$ 2,445	$ 3,433	$ 2,755

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities.*

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Allowance for Loan Losses by Type

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

	2011		2010		2009		2008		2007	
December 31, *($ in millions)*	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**	**Amount**	**% of total**
Consumer										
Domestic										
Consumer automobile	$ 600	39.9	$ 769	41.0	$ 772	31.6	$ 1,115	32.5	$ 1,033	37.5
Consumer mortgage										
1st Mortgage	275	18.3	322	17.2	387	15.8	525	15.3	540	19.6
Home equity	237	15.8	256	13.7	251	10.3	177	5.2	243	8.8
Total domestic	1,112	74.0	1,347	71.9	1,410	57.7	1,817	53.0	1,816	65.9
Foreign										
Consumer automobile	166	11.1	201	10.7	252	10.2	279	8.1	276	10.0
Consumer mortgage										
1st Mortgage	4	0.2	2	0.1	2	0.1	409	11.9	49	1.8
Home equity							31	0.9		
Total foreign	170	11.3	203	10.8	254	10.3	719	20.9	325	11.8
Total consumer loans	1,282	85.3	1,550	82.7	1,664	68.0	2,536	73.9	2,141	77.7
Commercial										
Domestic										
Commercial and industrial										
Automobile	62	4.0	73	3.9	157	6.4	178	5.2	36	1.3
Mortgage	1	0.1			10	0.4	93	2.7	483	17.5
Other	52	3.5	97	5.2	322	13.2	65	1.9	66	2.4
Commercial real estate										
Automobile	39	2.6	54	2.9						
Mortgage					54	2.2	458	13.3		
Total domestic	154	10.2	224	12.0	543	22.2	794	23.1	585	21.2
Foreign										
Commercial and industrial										
Automobile	48	3.2	33	1.7	54	2.2	45	1.3	26	1.0
Mortgage	10	0.7	12	0.7	20	0.8	3	0.1		
Other	1	0.1	39	2.1	111	4.6	9	0.3	3	0.1
Commercial real estate										
Automobile	3	0.2	2	0.1						
Mortgage	5	0.3	13	0.7	53	2.2	46	1.3		
Total foreign	67	4.5	99	5.3	238	9.8	103	3.0	29	1.1
Total commercial loans	221	14.7	323	17.3	781	32.0	897	26.1	614	22.3
Total allowance for loan losses	$ 1,503	100.0	$ 1,873	100.0	$ 2,445	100.0	$ 3,433	100.0	$ 2,755	100.0

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Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic and foreign deposits.

	2011		2010		2009	
Year ended December 31, ***($ in millions)***	**Average balance (a)**	**Average deposit rate**	**Average balance (a)**	**Average deposit rate**	**Average balance (a)**	**Average deposit rate**
Domestic deposits						
Noninterest-bearing deposits	$ 2,237	%	$ 2,071	%	$ 1,955	%
Interest-bearing deposits						
Savings and money market checking accounts	9,696	0.88	8,015	1.21	5,941	1.66
Certificates of deposit	26,109	1.77	21,153	2.04	16,401	3.33
Dealer deposits	1,685	3.87	1,288	4.00	671	4.09
Total domestic deposit liabilities	39,727	1.55	32,527	1.78	24,968	2.70
Foreign deposits						
Noninterest-bearing deposits	2		11			
Interest-bearing deposits						
Savings and money market checking accounts	1,158	2.03	550	2.01	117	6.57
Certificates of deposit	2,166	2.23	2,107	2.83	1,029	2.25
Dealer deposits	322	4.30	242	4.47		
Total foreign deposit liabilities	3,648	2.35	2,910	2.80	1,146	2.69
Total deposit liabilities	$ 43,375	1.61%	$ 35,437	1.86%	$ 26,114	2.70%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

The following table presents the amount of domestic certificates of deposit in denominations of $100 thousand or more segregated by time remaining until maturity.

December 31, 2011 ***($ in millions)***	**Three months or less**	**Over three months through six months**	**Over six months through twelve months**	**Over twelve months**	**Total**
Domestic certificates of deposit ($100,000 or more)	$ 1,531	$ 1,750	$ 2,748	$ 3,956	$ 9,985

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BUSINESS

General

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $184 billion in assets and operations in 32 countries. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We are also one of the largest residential mortgage companies in the United States. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market, with $39.6 billion of deposits at December 31, 2011.

Our Business

Global Automotive Services and Mortgage are our primary lines of business. Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. Our Global Automotive Services business serves over 21,000 dealers globally with a wide range of financial services and insurance products. We believe our dealer-focused business model makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have specialized incentive programs that are designed to encourage dealers to direct more of their business to us. In addition, we believe our longstanding relationship with GM and our recent relationship with Chrysler Group LLC (Chrysler) has resulted in particularly strong relationships between us and thousands of dealers and extensive operating experience relative to other automotive finance companies.

Our mortgage business is a leading originator and servicer of residential mortgage loans in the United States.

Ally Bank, our direct banking platform, provides our automotive finance and mortgage loan operations with a stable and low-cost funding source and facilitates prudent asset growth. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through a direct banking channel over the internet and by telephone. Ally Bank offers a full spectrum of deposit product offerings including certificates of deposit, savings accounts, money market accounts, IRA (individual retirement account) deposit products, as well as an online checking product. We continue to expand the product offerings in our banking platform in order to meet customer needs. Ally Bank s assets and operating results are divided between our North American Automotive Finance operations and Mortgage operations based on its underlying business activities.

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The following table reflects the primary products and services offered by the continuing operations of each of our lines of business.

(a) On November 2, 2011, we announced that in order to proactively address changes in the mortgage industry as a whole, we will be taking immediate action to reduce the focus on the correspondent mortgage lending channel.

Global Automotive Services

Global Automotive Services includes our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our Global Automotive Services business had $120.5 billion of assets at December 31, 2011, and generated $6.4 billion of total net revenue in 2011.

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

Our Global Automotive Services operations offer a wide range of financial services and insurance products to over 21,000 automotive dealerships and 5.8 million of their retail customers. We have deep dealer relationships that have been built over our 90-year history. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. During 2011 and 2010, 70%

and 60%, respectively, of our U.S. automotive dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. We expect even higher participation levels going forward as all of our automotive dealer customers are eligible to participate in the program. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance primarily covering dealers wholesale vehicle inventories in the United States. We are a leading provider of vehicle service contracts, and maintenance coverage.

Global Automotive Services is supported by approximately 8,600 employees worldwide. A significant portion of our Global Automotive Services business is conducted with or through GM- and Chrysler-franchised dealers and their customers.

Automotive Finance

Our North American Automotive Finance operations consist of our automotive finance operations in the United States and Canada. At December 31, 2011, our North American Automotive Finance operations had $97.0 billion of assets and generated $3.6 billion of total net revenue in 2011. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2011. We funded one out of every ten new car purchases that were financed in the United States during 2011. In the United States and Canada we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,100 employees that support our North American servicing operations. We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $76.0 billion portfolio at December 31, 2011. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our International Automotive Finance operations are in Europe, Latin America, and Asia. At December 31, 2011, our International Automotive Finance operations had $15.5 billion of assets and generated $901 million of total net revenue in 2011. Through our longstanding relationship with GM, we have extensive experience operating in international markets and broad global capabilities. We currently originate loans in 15 countries (other than the United States and Canada). Our international presence is focused on strategic operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC. In China, GMAC-SAIC is a leading automotive finance company with broad geographic coverage and a full suite of products. We own 40% of GMAC-SAIC. The other joint venture partners include Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation Limited. Brazil and Mexico remain markets that we see as growth opportunities. In these markets we offer a full product line and have strong positions in the automotive dealer channel. Brazil and Mexico comprise $5.0 billion of our total finance receivables and loans at December 31, 2011. Germany and the United Kingdom remain our core markets in Europe with $5.7 billion of total finance receivables and loans at December 31, 2011.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used automobiles. In the United States and Canada, Ally and other automotive finance providers purchase these loans and leases from automotive dealers. In other countries, we offer retail installment loans and leases directly to retail customers of the dealers. Automotive dealers are independently owned businesses and are our primary customer. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2011, we continued to focus on the used vehicle market, which resulted in strong growth in used vehicle origination volume compared to 2010. Additionally, during 2011, we expanded the Ally Buyer s Choice product on new GM and Chrysler vehicles

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from Canada to select states in the United States. The Ally Buyer s Choice financing product allows customers to own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Automotive dealers require a full range of financial products, including new and used vehicle inv