Ally Financial Inc.
Form S-1/A
August 18, 2011
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As filed with the Securities and Exchange Commission on August 18, 2011

Registration No. 333-173198

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4

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. In addition, the number of shares of our common stock issuable upon such settlement is subject to adjustment upon the occurrence of certain events described herein. Pursuant to Rule 416 under the Securities Act, the number of shares of our common stock to be registered includes an indeterminable number of shares of common stock that may become issuable upon settlement of the stock purchase contracts as a result of such events.

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 August 18, 2011

PRELIMINARY PROSPECTUS

Shares

ALLY FINANCIAL INC.

COMMON STOCK

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

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

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

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

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

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

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

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

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

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

Barclays Capital **Deutsche Bank Securities**

The date of this prospectus is , 2011

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

INDUSTRY AND MARKET DATA

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

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PROSPECTUS SUMMARY

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

Overview

Ally operates one of the world s largest automotive finance companies. We have over 90 years of experience supporting automotive dealers and their retail customers with a broad array of financial products and services. Our automotive finance franchise operates on a global scale with strategic activities in the United States, Canada and 15 other countries worldwide. We are a bank holding company and also operate one of the largest residential mortgage loan companies in the United States. Our bank subsidiary, Ally Bank, is a leading competitor and well-recognized brand in the growing direct banking market. The bank provides us with a significant source of cost-efficient funding and had $36.9 billion of deposits at June 30, 2011. We had $179 billion of total assets at June 30, 2011 and $3.4 billion and $7.9 billion of total net revenue during the first six months of 2011 and fiscal year 2010, respectively.

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

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

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

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

Our Global Automotive Services

Our Global Automotive Services business is centered around our strong and longstanding relationships with automotive dealers and supports our automotive manufacturing partners and their marketing programs. We serve the financial needs of approximately 21,000 dealers worldwide and 5.6 million of their retail customers as of June 30, 2011. In the United States and Canada alone, we have approximately 2,100 automotive finance and insurance employees in five regions focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,300 employees that support our North American servicing operations.

Our Dealer-Focused Business Model

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

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

Manufacturer Relationships

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

Our preferred financing relationships primarily relate to new retail loan incentive programs that support the manufacturers new vehicle marketing initiatives while allowing us to realize market based returns. Incentivized loans, originated through our preferred financing relationships, represented 35% and 41% of our North American new retail loan and lease origination volume in the first six months of 2011 and fiscal year 2010, respectively, compared to 52% in 2009 and 60% in 2008. For non-incentivized retail loan originations, we successfully compete at the dealer-level based on our strong dealer relationships, competitive pricing, full suite of products and comprehensive service.

Our History in the Automotive Market and Who We Are Today

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

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

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

North American Automotive Finance Operations

Our North American Automotive Finance Operations (NAO) consist of our automotive financing operations in the United States and Canada. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2010. We funded one out of every ten new car purchases that were financed in the United States during 2010. We had total consumer originations in the United States and Canada of $35.4 billion in 2010 and $22.6 billion in the first six months of 2011. Our penetration rate of GM and Chrysler new car purchases in the United States and Canada in the first six months of 2011 was 43% and 29%, respectively. We financed an average of $28.9 billion of vehicle floorplan assets for our dealers, including 82% of GM s and 68% of Chrysler s total North American dealer new vehicle inventory, respectively, during the first six months of 2011.

We manage commercial account servicing for over 5,000 dealers in the United States that utilize our floorplan inventory lending or other commercial loans. In the United States and Canada, we provide consumer asset servicing for a $73 billion portfolio at June 30, 2011. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions.

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

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

Source: Experian Automotive

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

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International Automotive Finance Operations

Our International Automotive Finance Operations (IO) conduct business in Asia, Latin America and Europe. We focus on five core foreign markets: China (through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC)), Brazil, Mexico, Germany and the United Kingdom. We also originate loans in 10 other countries. We provide financial services to approximately 5,300 automotive dealer customers in these 15 foreign markets.

China Our GMAC-SAIC joint venture is a leading automotive finance company in China and offers a full suite of products. We believe there is significant opportunity for growth in loan origination in China due to the strong increase in overall car sales as well as the relatively low proportion of these sales that have been financed historically. In 2010, 10% of new car purchases in China were financed according to China Auto Market, compared with 79% in the United States, according to Experian Automotive. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation Limited, which own 40% and 20% of GMAC-SAIC, respectively. At June 30, 2011, the joint venture had total finance receivables and loans of $4.8 billion.

Brazil and Mexico Brazil is the largest automotive market in Latin America where we had total finance receivables and loans of $3.8 billion at June 30, 2011. In both Brazil and Mexico, we offer a full product line and have strong positions in the automotive dealer channel.

Germany and the United Kingdom Germany and the United Kingdom remain our core markets in Europe with total finance receivables and loans of $5.8 billion at June 30, 2011. To improve operational efficiency, certain of our servicing and lending activities in Europe have been consolidated in Germany.

Insurance Operations

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

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

Mortgage

Our Origination and Servicing operations consist of originating, purchasing, selling and securitizing conforming and government-insured residential mortgage loans in the United States and Canada; servicing residential mortgage loans for ourselves and others; and providing collateralized lines of credit to other mortgage loan originators, also called warehouse lending. We also originate a small amount of high quality prime jumbo mortgage loans in the United States. Our Origination and Servicing operations had $20.0 billion in assets at June 30, 2011.

In the first six months of 2011 and full year 2010, we originated $24.2 billion and $69.5 billion, respectively, of U.S. residential mortgage loans, including $20.5 billion and $61.5 billion, respectively, through our network of over 1,000 correspondents. Conforming and government-insured residential mortgage loans

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comprised approximately 97% and 98% of our first six months of 2011 and fiscal year 2010 originations, respectively. At June 30, 2011, we were the primary servicer of 2.3 million mortgage loans with $360.5 billion of unpaid principal balances. We have substantially derisked our mortgage operations since the onset of the housing crisis and reduced our overall mortgage assets from $135.1 billion in 2006 to $31.3 billion at June 30, 2011, primarily through the run-off and divestiture of noncore businesses and assets.

Our Legacy Portfolio and Other operations primarily consist of mortgage loans originated prior to January 1, 2009, and consist of noncore business activities including portfolios in run-off. Total assets of our Legacy Portfolio and Other operations decreased from $32.9 billion at December 31, 2008, to $11.3 billion at June 30, 2011.

Ally Bank

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

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

Ally Bank provides our automotive finance and mortgage loan operations with a stable and low-cost funding source. At June 30, 2011, Ally Bank had $36.9 billion of deposits including $24.6 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $24.6 billion at June 30, 2011 has enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds over time and diversify our overall funding as our deposit base grows. Over the past two years, we have grown our retail deposits even as we have reduced the cost of our deposits.

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

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Our Strengths

Automotive financial services category leader with full product suite.

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

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of June 30, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During the first six months of 2011 and fiscal year 2010, 62% and 60%, respectively, of our U.S. dealer customers received benefits under the Ally Dealer Rewards program which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, we have successfully added preferred provider agreements, including Chrysler (U.S., Canada and Mexico), Fiat (U.S. and Mexico), Saab (U.S. and Europe), American Suzuki (U.S.) and Thor (U.S.). Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our North American new non-GM retail originations from $1.0 billion in 2006 to $9.5 billion in 2010 and from $4.4 billion in the first six months of 2010 to $5.3 billion in the first six months of 2011.

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

Scalable platform with significant growth opportunities.

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

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

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

Source: Bureau of Economic Analysis as to 2006-2010 data and Blue Chip Economic Indicators, Vol. 36, No. 3/Vol. 36, No. 7, as to projected 2011-2013 data.

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

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

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

Leading direct banking franchise.

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

Complementary mortgage origination and servicing operations.

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

Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of June 30, 2011 was 724. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first six months of 2011 and fiscal year 2010, the loss rate on our U.S. consumer automotive portfolio was 0.68% and 1.73%, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During the first six months of 2011 and fiscal year 2010, the loss rate on our U.S. commercial automotive portfolio was 0.04% and 0.27%, respectively.

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

We have demonstrated strong access to funding and liquidity that are critical to our business. In the first six months of 2011 and fiscal year 2010, we raised over $19 billion and nearly $36 billion of secured and unsecured funding in the capital markets, respectively. We also have significant liquidity available beyond capital markets funding with access to $36.9 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at June 30, 2011.

Our access to deposits is an important source of diversified funding. Approximately 30% of our funding at the end of the first six months of 2011 came from deposits compared to 14% at the end of 2008. We believe Ally

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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 June 30, 2011, we had a Tier 1 capital ratio of 14.65%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

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

Our Business Strategy

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

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

Continue to generate consistent results through our Mortgage operations.

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

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

Reduce our funding costs and continue funding diversification.

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

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deposit base to $24.6 billion at June 30, 2011 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

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

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

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

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

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

Improve our shareholder return profile.

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

Corporate Information

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

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THE OFFERING

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

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

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

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

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

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

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

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

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

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

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

	At and for the six months ended June 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
	($ in millions)						
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 5,050	$ 6,008	$ 11,447	$ 13,100	$ 18,054	$ 21,761	$ 24,100
Interest expense	3,325	3,365	6,836	7,274	10,441	13,553	14,638
Depreciation expense on operating lease assets	477	1,182	2,030	3,748	5,478	4,551	5,055
Impairment of investment in operating leases					1,218		
Net financing revenue	1,248	1,461	2,581	2,078	917	3,657	4,407
Total other revenue (a)	2,186	2,486	5,321	4,417	15,271	6,161	7,860
Total net revenue	3,434	3,947	7,902	6,495	16,188	9,818	12,267
Provision for loan losses	164	362	442	5,604	3,102	3,037	1,948
Total other noninterest expense	2,976	2,963	6,281	7,850	8,349	8,203	8,457
Income (loss) from continuing operations before income tax (benefit) expense	294	622	1,179	(6,959)	4,737	(1,422)	1,862
Income tax (benefit) expense from continuing operations (b)	14	69	153	74	(136)	496	22
Net income (loss) from continuing operations	280	553	1,026	(7,033)	4,873	(1,918)	1,840
(Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Net income (loss)	$ 259	$ 727	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
	($ in millions, except per share data)						
Net income (loss) attributable to common shareholders							
Net income (loss) from continuing operations	$ 280	$ 553	$ 1,026	$ (7,033)	$ 4,873	$ (1,918)	$ 1,840
Less: Preferred stock dividends U.S. Department of Treasury	267	386	963	855			
Less: Preferred stock dividends	127	142	282	370		192	21
Less: Impact of conversion of preferred stock and related amendment			616(c)				
Less: Impact of preferred stock accretion to redemption value							274
Less: Impact of preferred stock amendment	(32)						

Net (loss) income from continuing operations attributable to common shareholders (a)	(82)	25	(835)	(8,258)	4,873	(2,110)	1,545
(Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Net (loss) income attributable to common shareholders	$ (103)	$ 199	$ (786)	$ (11,523)	$ 1,868	$ (2,524)	$ 1,830
Basic and diluted weighted-average common shares outstanding	1,330,970	799,120	800,597	529,392	108,884	101,331	8,620
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	$ (62)	$ 32	$ (1,042)	$ (15,596)	$ 44,747	$ (20,825)	$ 179,229
(Loss) income from discontinued operations, net of tax	(16)	217	61	(6,169)	(27,595)	(4,086)	33,062
Net (loss) income	$ (78)	$ 249	$ (981)	$ (21,765)	$ 17,152	$ (24,911)	$ 212,291

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	At and for the six months ended June 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
				($ in millions)			
Pro forma data (e):							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	$ 259	$ 727	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
Add: Original issue discount amortization expense (g)	600	689	1,300	1,143	70		
Add: Income tax (benefit) expense from continuing operations	14	69	153	74	(136)	496	22
Less: Gain on extinguishment of debt related to the 2008 bond exchange					11,460		
Less: (Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Core pretax income (loss) (f)	$ 894	$ 1,311	$ 2,479	$ (5,816)	$ (6,653)	$ (1,422)	$ 1,862
Selected balance sheet data (period end):							
Total assets	$ 178,889	$ 176,802	$ 172,008	$ 172,306	$ 189,476	$ 248,939	$ 291,971
Long-term debt	$ 91,723	$ 85,205	$ 86,612	$ 88,021	$ 115,935	$ 159,342	$ 193,387
Preferred stock/interests (d)	$ 6,940	$ 12,180	$ 6,972	$ 12,180	$ 6,287	$ 1,052	$
Total equity	$ 20,423	$ 20,773	$ 20,489	$ 20,839	$ 21,854	$ 15,565	$ 14,369
Financial ratios							
Efficiency ratio (h)	86.66%	75.07%	79.49%	120.86%	51.58%	83.55%	68.94%
Core efficiency ratio (h)	73.77%	63.91%	68.26%	102.78%	174.01%	83.55%	68.94%
Return on assets (i)							
Net income (loss) from continuing operations	0.32%	0.63%	0.58%	(3.95)%	2.57%	(0.77)%	0.63%
Net income (loss)	0.30%	0.82%	0.61%	(5.79)%	0.99%	(0.94)%	0.73%
Core pretax income (loss)	1.02%	1.48%	1.40%	(3.27)%	(3.51)%	(0.57)%	0.64%
Return on equity (i)							
Net income (loss) from continuing operations	2.77%	5.39%	4.95%	(29.00)%	22.30%	(12.32)%	12.81%
Net income (loss)	2.55%	7.03%	5.19%	(42.46)%	8.55%	(14.98)%	14.79%
Core pretax income (loss)	8.82%	12.79%	11.97%	(23.98)%	(30.44)%	(9.14)%	12.96%
Equity to assets (i)	11.59%	11.61%	11.72%	13.63%	11.53%	6.25%	4.92%
Net interest spread (i)(j)	1.06%	1.55%	1.23%	0.65%	(k)	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.97%	2.61%	2.29%	1.68%	(k)	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.63%	2.07%	1.79%	1.37%	(k)	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.36%	2.91%	2.63%	2.13%	(k)	(k)	(k)
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (m)	14.65%	15.31%	15.00%	14.15%	(k)	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	15.87%	16.84%	16.36%	15.55%	(k)	(k)	(k)
Tier 1 leverage (to adjusted average assets) (o)	12.47%	12.64%	13.05%	12.70%	(k)	(k)	(k)
Shareholders equity	$ 20,423	$ 20,773	$ 20,489	$ 20,839	(k)	(k)	(k)
Goodwill and certain other intangibles	(533)	(532)	(532)	(534)	(k)	(k)	(k)
Unrealized gains and other adjustments	(315)	(392)	(309)	(447)	(k)	(k)	(k)
Trust preferred securities	2,541	2,540	2,541	2,540	(k)	(k)	(k)

Tier 1 capital (m)	22,116	22,389	22,189	22,398	(k)	(k)	(k)
Preferred equity	(6,940)	(12,180)	(6,971)	(12,180)	(k)	(k)	(k)
Trust preferred securities	(2,541)	(2,540)	(2,541)	(2,540)	(k)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 12,635	$ 7,669	$ 12,677	$ 7,678	(k)	(k)	(k)
Risk-weighted assets (q)	$ 151,000	$ 146,226	$ 147,964	$ 158,314	(k)	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	8.37%	5.24%	8.57%	4.85%	(k)	(k)	(k)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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RISK FACTORS

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

Risks Related to Regulation

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

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

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

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

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

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

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

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

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

Representatives of federal and state governments, including the United States Department of Justice, the FRB, the FDIC, the SEC, and law enforcement authorities in all 50 states, are currently investigating the procedures followed by mortgage servicing companies and banks, including subsidiaries of Ally, in connection with mortgage foreclosure home sales and evictions. While the results of these investigations are uncertain, we expect that Ally or its subsidiaries will become subject to penalties, sanctions, or other adverse actions, including monetary fines, which could be substantial and have a material adverse impact on our results of operations, financial position or cash flows. While we believe that a monetary fine is probable, we are not able to provide an estimate based on information currently available, nor are we able to estimate a range of reasonably possible losses.

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

The Order further requires the Ally Entities to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions.

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

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

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

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

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

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

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

Our domestic operations are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions relating to supervision and regulation by state and federal authorities. Such

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regulation and supervision are primarily for the benefit and protection of our customers, not for the benefit of investors in our securities, and could limit our discretion in operating our business. Noncompliance with applicable statutes, regulations, rules, or policies could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

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

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

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

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

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

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

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

restrict the revenue that Ally generates from certain businesses; and

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

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

The Bank for International Settlements Basel Committee on Banking Supervision recently adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III increases (i) the minimum Tier 1 common equity ratio from 2.0% to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0% and (ii) the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3% based on a measure of the total exposure rather than total assets and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs) and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in Tier 1 capital. In addition, under Basel III rules, after a 10-year phase-out period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 1, 2013. At June 30, 2011, Ally had $3.3 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.

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.

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

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

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

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

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

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

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

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

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

Risks Related to Our Business

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

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

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

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

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

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

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

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

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

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 June 30, 2011, approximately $4.4 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2011, and approximately $12.3 billion and $1.9 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2012 and 2013, respectively, which includes $7.4 billion in principal amount of debt issued under the FDIC s Temporary Liquidity Guaranty Program that matures in 2012. We also obtain short-term funding from the sale by Ally of floating rate demand notes, all of which the holders may elect to have redeemed by Ally at any time without restriction. At June 30, 2011, a total of $2.4 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At June 30, 2011, approximately $6.7 billion of outstanding consolidated secured debt is scheduled to mature in 2011, approximately $10.6 billion is scheduled to mature in 2012, and approximately $11.2 billion is scheduled to mature in 2013. Furthermore, at June 30, 2011, approximately $5.5 billion in certificates of deposit at Ally Bank is scheduled to mature in 2011, which is not included in the 2011 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over this period. The capital markets continue to be volatile, and Ally s access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was $556 million in the first six months of 2011, and the scheduled amortization is $369 million, $351 million, and $264 million in 2011, 2012, and 2013, respectively.

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

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

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

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

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

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has recently grown increasingly more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the recent economic

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downturn. For example, on April 1, 2011, TD Bank Group announced the closing of its acquisition of Chrysler Financial, which could enhance Chrysler Financial s ability to expand its product offerings and may result in increased competition. Our mortgage business and Ally Bank face significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

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

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

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

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

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

ResCap remains heavily reliant on support from us to meet its liquidity and capital requirements, which includes approximately $2.3 billion in principal amount of indebtedness scheduled to mature in 2011, 2012 and 2013. In addition, ResCap has commitments to lend up to $2.3 billion under existing home equity lines of credit it has extended to customers. Recent developments in the market for many types of mortgage products (including mortgage-backed securities) have resulted in reduced liquidity for these assets. As a result, a significant portion of ResCap s assets are relatively illiquid. Any negative events with respect to ResCap could serve as a further drain on our financial resources.

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

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

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

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

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

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

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

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

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

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

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

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

We have secured financing arrangements and secured hedging agreements in place with ResCap. At June 30, 2011, we had $1.9 billion in secured financing arrangements with ResCap, of which $1.3 billion in loans was utilized. At June 30, 2011, there was no net exposure under hedging arrangements because the arrangements were fully collateralized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, will be subject to bankruptcy proceedings and regulations, or ResCap may be unable to repay its financing facilities. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap s obligations to us. In addition, it is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. We may also find it advantageous to provide debtor-in-possession financing to ResCap in a bankruptcy proceeding in order to preserve the value of the collateral ResCap has pledged to us. In addition, should ResCap file for bankruptcy, our investment related to ResCap s equity position would likely be reduced to zero, and creditors of ResCap may attempt to assert claims directly against us for payment of their obligations.

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

When we sell mortgage loans through whole-loan sales or securitizations, we 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 at any time unless a sunset provision is in place. Breaches of these representations and warranties have resulted in a requirement that we 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 June 30, 2011, our reserve for representation and warranty obligations was $829 million. It is difficult to determine the accuracy of our estimates and assumptions used to determine such reserve. For example, if the law were to develop that disagree with our interpretation that a claimant must prove that the alleged breach of representations and warranties was causally related to the alleged adverse effect on the interest of the claimant, it could significantly impact our determination of the reserve. In addition, if recent court rulings related to monoline litigation that have allowed sampling of loan files instead of a loan-by-loan review to determine if a representations and warranties breach has occurred are followed generally by the courts, private-label securitization investors may view litigation as a more attractive alternative to a loan-by-loan review. As a result of these and other developments, our actual experience may differ materially from these estimates and assumptions. Refer to Note 24 to the Condensed Consolidated Financial Statements for further details.

Further, claims related to private-label MBS have been brought under federal and state securities laws and contract laws (among other theories), and additional similar claims are likely to be brought in the future. Several securities law cases have been brought by various third-party investors relating to MBS, where such investors have alleged misstatements and omissions in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. In addition, there are two cases pending where MBIA Insurance Corp. (MBIA), a monoline bond insurance company, has alleged, among other things, that two of our mortgage subsidiaries breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. MBIA further alleges that our subsidiaries 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. We also expect to receive additional repurchase demands from MBIA, the amount of which could be substantial. In addition, litigation from other monoline bond insurance companies are likely. Third party investors may also bring contractual representations and warranties claims against us. Refer to Note 24 to the Condensed Consolidated Financial Statements for further details with respect to existing litigation.

Certain of our mortgage subsidiaries have received subpoenas from the Federal Housing Finance Agency (the FHFA), which is the conservator of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We continue to discuss the terms and circumstances under which documents would be provided under the subpoenas related to Freddie Mac. The FHFA has indicated that documents provided in response to the 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 claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future.

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

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

Our ability to generate revenue through mortgage loan sales to institutional investors in the United States depends to a significant degree on programs administered by the GSEs and others that facilitate the issuance of mortgage-backed securities in the secondary market. These GSEs play a powerful role in the residential mortgage industry and we have significant business relationships with them. Proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which these GSEs conduct their business to require them to register their stock with the U.S. Securities and Exchange Commission to reduce or limit certain business benefits that they receive from the U.S. government and to limit the size of the mortgage loan portfolios that they may hold. Furthermore, the Obama administration recently released a report that recommended winding down Fannie Mae and Freddie Mac. We do not know what impact, if any, the report would have on the future of the GSEs. In addition, the GSEs themselves have been negatively affected by recent mortgage market conditions, including conditions that have threatened their access to debt

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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 June 30, 2011, the carrying value of our North American Automotive Finance Operations (NAO) nonprime consumer automobile loans before allowance for loan losses was $3.4 billion, or approximately 7.0% of our total NAO consumer automobile loans. Of these loans, $38 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Our International Automotive Finance Operations (IO) also has exposure to loans of higher credit risk with similar characteristics to those of the nonprime loans held by NAO. However, the lack of a consistent external third-party provider of consumer credit score information (like FICO in the United States and Canada) across the international geographies where we operate requires us to use our own internally-developed credit scoring approach to create a similar international comparative. Based on this internal analysis we believe nonprime loans represent less than 10% of our total IO consumer automobile loans and of these loans, less than 5% were considered nonperforming. As we grow our automotive asset portfolio in nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

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

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

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

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

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

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

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

In addition, the current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. These conditions have adversely impacted financial markets and have created substantial volatility and uncertainty, and will likely continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

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

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

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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

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Bond Rating Service rates our debt. Our current ratings as assigned by each of the respective rating agencies are below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements as well as impact elements of certain existing secured borrowing arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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rating agency rating the transaction. For certain transactions with respect to which loan modifications have exceeded the contractual caps, the rating agencies have concurred in raising or eliminating the caps, but they have not consented in connection with other such transactions. ResCap will continue to seek their concurrence in connection with other transactions as it deems appropriate and will suspend modifications in excess of applicable caps pending receipt of such consent or investor approval to amend the servicing contracts. An investor in a specific mortgage security class might claim that modifications in excess of the applicable cap amounted to a material failure of ResCap to perform its servicing obligations and that the investor was damaged as a result. Such claims, if successful, could have a material adverse effect on our financial condition, liquidity, and results of operations.

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

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

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

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

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

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.

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

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

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

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

Risks Related to this Offering and Ownership of Our Common Stock

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

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

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

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

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

Treasury currently holds 118,750,000 shares of our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the Series F-2 preferred stock), having an aggregate liquidation amount of

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$5,937,500,000. In connection with this offering and the concurrent Units offering, Treasury intends to convert 58,750,000 shares of Series F-2 preferred stock into shares of our common stock based on a conversion price equal to the common stock public offering price, which, based on the midpoint of the price range set forth on the cover of this prospectus, would result in the conversion of the Series F-2 preferred stock into shares of common stock. See Concurrent Transactions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- the perceived prospects for the auto finance and mortgage industries in general or for our company;

- differences between our actual financial and operating results and those expected by investors;

- changes in the share price of public companies with which we compete;

- news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;

- 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;

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unfavorable or lack of published research by securities or industry analysts; and

departure of key personnel.

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

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

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

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

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and in other sections of this prospectus that may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words expect, anticipate, estimate, forecast, initiative, objective, plan, project, outlook, priorities, target, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, 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 June 30, 2011, actual and pro forma to reflect:

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

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

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

	As of June 30, 2011	
	Actual	Pro forma
	($ in millions)	
Cash and cash equivalents	$ 14,901	$
Short-term borrowings	7,130	
Long-term debt (1)	91,723	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual and pro forma	1,021	
Series F-2 preferred stock, 118,750,000 shares issued and outstanding, actual and 0 shares issued and outstanding, pro forma (2)	5,685	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Tangible Equity Units, 0 units issued and outstanding, actual and units issued and outstanding, pro forma	0	
Common stock, $0.01 par value per share, 1,330,970 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital (2)	19,668	
Accumulated deficit (2)	(6,508)	
Accumulated other comprehensive income	323	
Total equity (2)	20,423	
Total capitalization	$ 119,276	$

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

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

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

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

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

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

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SELECTED CONSOLIDATED FINANCIAL DATA

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

	At and for the six months ended June 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
				($ in millions)			
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	$ 5,050	$ 6,008	$ 11,447	$ 13,100	$ 18,054	$ 21,761	$ 24,100
Interest expense	3,325	3,365	6,836	7,274	10,441	13,553	14,638
Depreciation expense on operating lease assets	477	1,182	2,030	3,748	5,478	4,551	5,055
Impairment of investment in operating leases					1,218		
Net financing revenue	1,248	1,461	2,581	2,078	917	3,657	4,407
Total other revenue (a)	2,186	2,486	5,321	4,417	15,271	6,161	7,860
Total net revenue	3,434	3,947	7,902	6,495	16,188	9,818	12,267
Provision for loan losses	164	362	442	5,604	3,102	3,037	1,948
Total other noninterest expense	2,976	2,963	6,281	7,850	8,349	8,203	8,457
Income (loss) from continuing operations before income tax (benefit) expense	294	622	1,179	(6,959)	4,737	(1,422)	1,862
Income tax (benefit) expense from continuing operations (b)	14	69	153	74	(136)	496	22
Net income (loss) from continuing operations	280	553	1,026	(7,033)	4,873	(1,918)	1,840
(Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Net income (loss)	$ 259	$ 727	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
			($ in millions, except per share data)				
Net income (loss) attributable to common shareholders							
Net income (loss) from continuing operations	$ 280	$ 553	$ 1,026	$ (7,033)	$ 4,873	$ (1,918)	$ 1,840
Less: Preferred stock dividends U.S. Department of Treasury	267	386	963	855			
Less: Preferred stock dividends	127	142	282	370		192	21
Less: Impact of conversion of preferred stock and related amendment			616(c)				
Less: Impact of preferred stock accretion to redemption value							274

Less: Impact of preferred stock amendment	(32)						
Net (loss) income from continuing operations attributable to common shareholders (a)	(82)	25	(835)	(8,258)	4,873	(2,110)	1,545
(Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Net (loss) income attributable to common shareholders	$ (103)	$ 199	$ (786)	$ (11,523)	$ 1,868	$ (2,524)	$ 1,830
Basic and diluted weighted-average common shares outstanding	1,330,970	799,120	800,597	529,392	108,884	101,331	8,620
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	$ (62)	$ 32	$ (1,042)	$ (15,596)	$ 44,747	$ (20,825)	$ 179,229
(Loss) income from discontinued operations, net of tax	(16)	217	61	(6,169)	(27,595)	(4,086)	33,062
Net (loss) income	$ (78)	$ 249	$ (981)	$ (21,765)	$ 17,152	$ (24,911)	$ 212,291

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	At and for the six months ended June 30,		At and for the year ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
				($ in millions)			
Pro forma data (e):							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
Income (loss) from discontinued operations, net of tax							
Net (loss) income							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	$ 259	$ 727	$ 1,075	$ (10,298)	$ 1,868	$ (2,332)	$ 2,125
Add: Original issue discount amortization expense (g)	600	689	1,300	1,143	70		
Add: Income tax (benefit) expense from continuing operations	14	69	153	74	(136)	496	22
Less: Gain on extinguishment of debt related to the 2008 bond exchange					11,460		
Less: (Loss) income from discontinued operations, net of tax	(21)	174	49	(3,265)	(3,005)	(414)	285
Core pretax income (loss) (f)	$ 894	$ 1,311	$ 2,479	$ (5,816)	$ (6,653)	$ (1,422)	$ 1,862
Selected balance sheet data (period end):							
Total assets	$ 178,889	$ 176,802	$ 172,008	$ 172,306	$ 189,476	$ 248,939	$ 291,971
Long-term debt	$ 91,723	$ 85,205	$ 86,612	$ 88,021	$ 115,935	$ 159,342	$ 193,387
Preferred stock/interests (d)	$ 6,940	$ 12,180	$ 6,972	$ 12,180	$ 6,287	$ 1,052	$
Total equity	$ 20,423	$ 20,773	$ 20,489	$ 20,839	$ 21,854	$ 15,565	$ 14,369
Financial ratios							
Efficiency ratio (h)	86.66%	75.07%	79.49%	120.86%	51.58%	83.55%	68.94%
Core efficiency ratio (h)	73.77%	63.91%	68.26%	102.78%	174.01%	83.55%	68.94%
Return on assets (i)							
Net income (loss) from continuing operations	0.32%	0.63%	0.58%	(3.95)%	2.57%	(0.77)%	0.63%
Net income (loss)	0.30%	0.82%	0.61%	(5.79)%	0.99%	(0.94)%	0.73%
Core pretax income (loss)	1.02%	1.48%	1.40%	(3.27)%	(3.51)%	(0.57)%	0.64%
Return on equity (i)							
Net income (loss) from continuing operations	2.77%	5.39%	4.95%	(29.00)%	22.30%	(12.32)%	12.81%
Net income (loss)	2.55%	7.03%	5.19%	(42.46)%	8.55%	(14.98)%	14.79%
Core pretax income (loss)	8.82%	12.79%	11.97%	(23.98)%	(30.44)%	(9.14)%	12.96%
Equity to assets (i)	11.59%	11.61%	11.72%	13.63%	11.53%	6.25%	4.92%
Net interest spread (i)(j)	1.06%	1.55%	1.23%	0.65%	(k)	(k)	(k)
Net interest spread excluding original issue discount (i)(j)	1.97%	2.61%	2.29%	1.68%	(k)	(k)	(k)
Net yield on interest-earning assets (i)(l)	1.63%	2.07%	1.79%	1.37%	(k)	(k)	(k)
Net yield on interest-earning assets excluding original issue discount (i)(l)	2.36%	2.91%	2.63%	2.13%	(k)	(k)	(k)
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (m)	14.65%	15.31%	15.00%	14.15%	(k)	(k)	(k)
Total risk-based capital (to risk-weighted assets) (n)	15.87%	16.84%	16.36%	15.55%	(k)	(k)	(k)
Tier 1 leverage (to adjusted average assets) (o)	12.47%	12.64%	13.05%	12.70%	(k)	(k)	(k)
Shareholders equity	$ 20,423	$ 20,773	$ 20,489	$ 20,839	(k)	(k)	(k)
Goodwill and certain other intangibles	(533)	(532)	(532)	(534)	(k)	(k)	(k)
Unrealized gains and other adjustments	(315)	(392)	(309)	(447)	(k)	(k)	(k)
Trust preferred securities	2,541	2,540	2,541	2,540	(k)	(k)	(k)

Tier 1 capital (m)	22,116	22,389	22,189	22,398	(k)	(k)	(k)
Preferred equity	(6,940)	(12,180)	(6,971)	(12,180)	(k)	(k)	(k)
Trust preferred securities	(2,541)	(2,540)	(2,541)	(2,540)	(k)	(k)	(k)
Tier 1 common capital (non-GAAP) (p)	$ 12,635	$ 7,669	$ 12,677	$ 7,678	(k)	(k)	(k)
Risk-weighted assets (q)	$ 151,000	$ 146,226	$ 147,964	$ 158,314	(k)	(k)	(k)
Tier 1 common (to risk-weighted assets) (p)	8.37%	5.24%	8.57%	4.85%	(k)	(k)	(k)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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 $179 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We are also one of the largest residential mortgage companies in the United States. We became a bank holding company on December 24, 2008, under the BHC Act. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market, with $36.9 billion of deposits at June 30, 2011. Ally Bank s assets and operating results are divided between our Global Automotive Services and Mortgage operations based on its underlying business activities.

Our Business

Global Automotive Services

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

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

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

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

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

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

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

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

Mortgage

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

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

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

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

We recently re-aligned our business model to focus on our Origination and Servicing operations in response to market developments and based on our strategic review of the mortgage business during 2009 and 2010. We have substantially eliminated nonconforming U.S. and international loan production (with the exception of U.S. prime jumbo mortgage loans) and have focused primarily on correspondent, direct, and warehouse-lending channels as opposed to high cost retail branch offices. 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 $11.3 billion at June 30, 2011, from $32.9 billion at December 31, 2008, due to these actions.

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

Corporate and Other

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

Loss from continuing operations before income tax expense for Corporate and Other was $1.0 billion, $2.6 billion and $2.5 billion for the six months ended June 30, 2011 and the years ended December 31, 2010 and 2009, respectively. These losses were primarily driven by net financing losses of $948 million, $2.1 billion and $2.5 billion for the six months ended June 30, 2011 and the years ended December 31, 2010 and 2009, respectively. The net financing losses at Corporate and Other are largely driven by the amortization of original issue discount, primarily related to our 2008 bond exchange, and the net financing loss that results from our FTP methodology.

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

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

The negative residual impact of our FTP methodology that is realized in Corporate and Other primarily represents the cost of certain funding and liquidity management activities not allocated through our FTP methodology. Most notably, the net interest expense of maintaining our liquidity and investment portfolios, the value of which was approximately $24.6 billion at June 30, 2011, is maintained in Corporate and Other and not allocated to the businesses through our FTP methodology. In addition, other unassigned funding costs, including the results of our ALM activities, are also not allocated to the businesses.

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

	Six months ended June 30,	
($ in millions)	**2011**	**2010**
Original issue discount amortization (a)	$ (556)	$ (589)
Net impact of the FTP methodology		
Cost of carry on the cash and investment portfolio	(299)	(245)
ALM/FTP cost of funds mismatch	(176)	(113)
Net other unallocated interest income (costs)	27	(99)
Total net impact of the FTP methodology	(448)	(457)
Commercial Finance Group net financing revenue and other	56	44
Total net financing losses for Corporate and Other	$ (948)	$ (1,002)

(a) The original issue discount associated with our 2008 bond exchange and cash tender offers in 2008 was $534 million during the six months ended June 30, 2011, respectively, compared to $568 million during the same period in 2010. The remaining amount is attributable to new debt issuance discount amortization.

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

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

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

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

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

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

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

	Year ended December 31, 2011(a)	2012	2013	2014	2015	2016 and thereafter (a)	Total
				($ in millions)			
Original issue discount							
Outstanding balance	$ 2,195	$ 1,844	$ 1,580	$ 1,390	$ 1,334	$	
Total amortization (b)	369	351	264	190	56	1,334	$ 2,564
2008 bond exchange amortization (c)	352	320	241	166	43	1,178	2,300

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

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

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

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

Ally Bank

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

Ally Bank offers a full spectrum of deposit product offerings including certificates of deposits, savings accounts, money market accounts, and an online checking product. In addition, brokered deposits are obtained through third-party intermediaries. At June 30, 2011, Ally Bank had $36.9 billion of deposits, including $24.6 billion of retail deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $24.6 billion at June 30, 2011 has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

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

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

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

Funding and Liquidity

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

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

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

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

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

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

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

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

Credit Strategy

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

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

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

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

Representation and Warranty Obligations

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

Outstanding claims during 2010 have remained relatively constant with GSE claim activity declining and monoline and other claims activity increasing. During the six months ended June 30, 2011, we experienced a decrease in new claims compared to 2010, in part due to settlements with key counterparties. However, we did experience an increase in new claims during the three months ended June 30, 2011, which was due to a large repurchase request from one monoline. We expect that this and other monolines will make additional claims in the future. Typically, the obligations under representation and warranties provided to monolines and other whole-loan investors are not as comprehensive as those to the GSEs. As such, we believe a significant portion of these claims are ineligible for a repurchase.

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

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

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Bank Holding Company and Treasury s Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Discontinued Operations

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

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Primary Lines of Business

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

	Six months ended June 30,		
	2011	2010	Favorable/ (unfavorable) % change
	($ in millions)		
Total net revenue (loss)			
Global Automotive Services			
North American Automotive Finance operations	$ 1,919	$ 2,112	(9)
International Automotive Finance operations	487	528	(8)
Insurance operations	1,036	1,194	(13)
Mortgage operations			
Origination and Servicing operations	625	776	(19)
Legacy Portfolio and Other operations	183	460	(60)
Corporate and Other	(816)	(1,123)	27
Total	$ 3,434	$ 3,947	(13)
Income (loss) from continuing operations before income tax (benefit) expense			
Global Automotive Services			
North American Automotive Finance operations	$ 1,077	$ 1,204	(11)
International Automotive Finance operations	111	142	(22)
Insurance operations	207	291	(29)
Mortgage operations			
Origination and Servicing operations	120	320	(63)
Legacy Portfolio and Other operations	(213)	66	n/m
Corporate and Other	(1,008)	(1,401)	28
Total	$ 294	$ 622	(53)

	Year ended December 31,			Favorable/(unfavorable)	
	2010	2009	2008	2010-2009	2009-2008
	($ in millions)			(% change)	
Total net revenue (loss)					
Global Automotive Services					
North American Automotive Finance operations	$ 4,011	$ 3,831	$ 2,597	5	48
International Automotive Finance operations	999	968	1,242	3	(22)
Insurance operations	2,360	2,271	2,961	4	(23)
Mortgage					
Origination and Servicing operations	1,808	1,005	1,132	80	(11)
Legacy Portfolio and Other operations	865	(59)	678	n/m	(109)
Corporate and Other	(2,141)	(1,521)	7,578	(41)	(120)
Total	$ 7,902	$ 6,495	$ 16,188	22	(60)
Income (loss) from continuing operations before income tax expense (benefit)					

Global Automotive Services					
North American Automotive Finance operations	$ 2,344	$ 1,624	$ (322)	44	n/m
International Automotive Finance operations	228	(157)	102	n/m	n/m
Insurance operations	569	329	499	73	(34)
Mortgage					
Origination and Servicing operations	917	39	462	n/m	(92)
Legacy Portfolio and Other operations	(254)	(6,304)	(3,070)	96	(105)
Corporate and Other	(2,625)	(2,490)	7,066	(5)	(135)
Total	$ 1,179	$ (6,959)	$ 4,737	117	n/m

n/m = not meaningful

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Consolidated Results of Operations

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

	Six months ended June 30,		
	2011	2010	Favorable/ (unfavorable)
	($ in millions)		(% change)
Net financing revenue			
Total financing revenue and other interest income	$ 5,050	$ 6,008	(16)
Interest expense	3,325	3,365	1
Depreciation expense on operating lease assets	477	1,182	60
Net financing revenue	1,248	1,461	(15)
Other revenue			
Net servicing income	532	615	(13)
Insurance premiums and service revenue earned	866	945	(8)
Gain on mortgage and automotive loans, net	207	537	(61)
Loss on extinguishment of debt	(64)	(121)	47
Other gain on investments, net	176	255	(31)
Other income, net of losses	469	255	84
Total other revenue	2,186	2,486	(12)
Total net revenue	3,434	3,947	(13)
Provision for loan losses	164	362	55
Noninterest expense			
Compensation and benefits expense	858	814	(5)
Insurance losses and loss adjustment expenses	430	435	1
Other operating expenses	1,688	1,714	2
Total noninterest expense	2,976	2,963	
Income from continuing operations before income tax expense	294	622	(53)
Income tax expense from continuing operations	14	69	80
Net income from continuing operations	$ 280	$ 553	(49)

First Six Months 2011 Compared to First Six Months 2010

We earned net income from continuing operations of $280 million for the six months ended June 30, 2011, compared to $553 million for the six months ended June 30, 2010. Continuing operations for the six months ended June 30, 2011, were unfavorably impacted by lower gains on the sale of loans related to the expiration of our automotive forward flow agreements during the fourth quarter of 2010, a decrease in net servicing income, a $121 million representation and warranty expense on certain securitized mortgages for which mortgage insurance was rescinded, and lower lease remarketing gains due to lower lease termination volumes. These decreases were partially offset by lower provision for loan losses. Additionally, other income, net of losses was positively impacted by a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements during the six months ended June 30, 2011.

Total financing revenue and other interest income decreased by 16% for the six months ended June 30, 2011, compared to the same period in 2010. Operating lease revenue (along with the related depreciation expense) at our Automotive Finance operations decreased as a result of a decline in the size of our operating lease portfolio due to our decision in late 2008 to significantly curtail leasing, and lower lease remarketing gains resulting from lower lease termination volumes. The decrease at our Mortgage Legacy Portfolio and Other operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the

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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 from the recovery of automotive industry sales.

Net servicing income was $532 million for the six months ended June 30, 2011, compared to $615 million for the same period in 2010. The decrease was impacted by regular MSR valuation adjustments.

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

Gain on mortgage and automotive loans decreased 61% for the six months ended June 30, 2011, compared to the same period in 2010. The decrease was primarily due to the expiration of our automotive forward flow agreements during the fourth quarter of 2010, lower whole-loan mortgage sales and mortgage loan resolutions in 2011, lower margins on mortgage loan sales, and a decrease in mortgage loan production. The decrease was partially offset by favorable market movement on pipeline hedge.

We incurred a loss on extinguishment of debt of $64 million for the six months ended June 30, 2011, compared to $121 million for the six months ended June 30, 2010. This activity related to the extinguishment of certain Ally debt, which included $50 million of accelerated amortization of original issue discount for the six months ended June 30, 2011, compared to $101 million for the same period in 2010.

Other gain on investments decreased 31% for the six months ended June 30, 2011, compared to the same period in 2010, primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 84% for the six months ended June 30, 2011, compared to the same period in 2010. The increase was primarily due to the positive impact of a $121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements. Additionally, the six months ended June 30, 2011, was favorably impacted by a lower fair value option election adjustment at our Legacy Portfolio and Other operations due to lower assets resulting from deconsolidations and better performance of the remaining asset portfolio.

The provision for loan losses was $164 million for the six months ended June 30, 2011, compared to $362 million for the same period in 2010. The decrease was primarily due to a reserve release at our Commercial Finance Group, improved credit quality, and the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Compensation and benefits expense increased 5% for the six months ended June 30, 2011, compared to the same period in 2010 primarily due to higher incentive compensation.

Insurance losses and loss adjustment expenses decreased 1% for the six months ended June 30, 2011, compared to the same period in 2010. This decrease was primarily due to lower losses on our U.S. vehicle service contracts and the sale of certain international insurance operations during the fourth quarter of 2010, partially offset by higher weather related losses.

Other operating expenses decreased 2% for the six months ended June 30, 2011, compared to the same period in 2010. The six months ended June 30, 2011, were favorably impacted by lower restructuring expense, lower insurance commissions, lower technology and communications expense, and lower vehicle remarketing and repossession expense. Partially offsetting these decreases in expense was higher mortgage representation and warranty reserve expense for certain securitized mortgages for which mortgage insurance was rescinded and higher professional services costs.

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We recognized consolidated income tax expense from continuing operations of $14 million for the six months ended June 30, 2011, compared to $69 million for the same period in 2010. The decrease was primarily related to the 2011 income tax benefit resulting from a $101 million reversal of valuation allowance in Canada related to modifications to the legal structure of our Canadian operations.

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

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

n/m = not meaningful

2010 Compared to 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2009 Compared to 2008

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

Total financing revenue and other interest income decreased by 27% for the year ended December 31, 2009, compared to 2008, primarily due to lower asset levels at our Global Automotive Services and Mortgage Legacy Portfolio and Other operations as a result of lower asset origination levels and portfolio runoff. Consumer and operating lease revenue (along with the related depreciation expense) at our North American Automotive Finance operations and International Automotive Finance operations decreased as a result of our strategic decisions in

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late 2008 to significantly curtail leasing due to credit market dislocation, negative economic conditions, low consumer confidence, and decreasing lease residual values. In addition, our International Automotive Finance operations consumer and commercial asset levels were lower due to operations winding down in several countries. Declines in Legacy Mortgage asset levels resulted from asset sales and portfolio runoff. Additionally, we recognized lower yields on consumer mortgage loans as a result of higher delinquencies, increases in nonaccrual levels, and the impact of lower rates on adjustable-rate mortgage loans.

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

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

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

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

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

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

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

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

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

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

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

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

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

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Global Automotive Services

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

Automotive Finance Operations

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

Consumer Automotive Financing

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

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

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

Consumer automobile leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease losses are limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. North American operating lease accounts past due over 30 days

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represented 2.36% and 3.12% of the total portfolio at December 31, 2010 and 2009, respectively. In late 2008, we significantly curtailed leasing due to distress in the capital markets and the significant decline in used vehicle prices that resulted in increased residual losses. We selectively re-entered the leasing market in 2009; however, originations are significantly lower than in past years. We did not receive residual support from GM or Chrysler on lease originations in 2010 or 2009.

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

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

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

Consumer Automotive Financing Volume

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

	Ally consumer automotive financing volume Six months ended June 30,		% Share of consumer sales Six months ended June 30,	
	2011	2010	2011	2010
	(units in thousands)		(%)	
GM new vehicles				
North America	449	292	43	35
International (excluding China) (a)	159	130	25	20
China (b)	54	46	10	10
Total GM new units financed	662	468		
Chrysler new vehicles				
North America	153	153	29	41
International (excluding China)	1			
Total Chrysler new units financed	154	153		
Other non-GM / Chrysler new vehicles				
North America	35	13		
International (excluding China)	2	2		
China (b)	46	29		
Total other non-GM / Chrysler new units financed	83	44		
Used vehicles				
North America	238	128		

International (excluding China)	19	12
Total used units financed	257	140
Total consumer automotive financing volume	1,156	805

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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, increases from 2010 results are attributable to continued focus on the used vehicle and diversified markets as well as lease related volume. GM penetration levels in 2011 were above 2010 levels resulting from the expansion of our retail platform. Additional increases in our International Operations were due to increased manufacturer marketing incentive programs offered in various markets, as well as the reintroduction of products and more competitive pricing. The decrease in Chrysler penetration levels for the six months ended June 30, 2011, as compared to the same period in 2010, is related to reductions in manufacturer non-rate incentive programs.

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

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

(b)

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

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

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Manufacturer Marketing Incentives

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

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

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

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

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

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

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

	Six months ended June 30, 2011	2010	Year ended December 31, 2010	2009	2008
GM subvented volume in North America					
As % of GM North American new retail and lease volume acquired by Ally	49%	52%	51%	69%	84%
As % of total North American new and used retail and lease volume acquired by Ally	25%	26%	27%	48%	59%
GM subvented International (excl. China) volume (a)					
As % of GM International new retail and lease volume acquired by Ally	64%	49%	55%	67%	48%
As % of total International new and used retail and lease volume acquired by Ally	56%	44%	50%	61%	37%
GM subvented volume in China (b)					
As % of GM China new retail and lease volume acquired by Ally	4%	1%	14%	1%	2%
As % of total China new and used retail and lease volume acquired by Ally	2%	1%	8%	1%	2%

(a) Represents subvention for continuing operations only.

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

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

	Six months ended June 30, 2011	2010	Year ended December 31, 2010	2009	2008
Chrysler subvented volume North America					
As % of Chrysler North American new retail and lease volume acquired by Ally	52%	58%	57%	39%	0%
As % of total North American new and used retail and lease volume acquired by Ally	9%	15%	14%	4%	0%

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

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

Servicing

We have historically serviced all retail contracts and leases we retained on-balance sheet. We historically sold a portion of the retail contracts we originated and retained the right to service and earn a servicing fee for

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our servicing functions. Ally Servicing Inc., a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automobile leases.

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

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

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

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

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

At December 31, 2010 and 2009, our total consumer automotive serviced portfolio was $78.8 billion and $82.6 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of $60.4 billion at

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

Remarketing and Sales of Leased Vehicles

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

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

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

We primarily sell our off-lease vehicles through:

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

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

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

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represents the largest portion of our commercial financing business and is the primary source of funding for dealers purchases of new and used vehicles. During 2010, we financed an average of $18.9 billion of new GM vehicles, representing an 86% share of GM s North American dealer inventory and a 75% share of GM s international dealer inventory in countries where GM operates and we had dealer inventory financing, excluding China. We also financed an average of $5.8 billion of new Chrysler vehicles representing a 75% share of Chrysler s North American dealer inventory. In addition, we financed an average of $2.4 billion of new non-GM/Chrysler vehicles.

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

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

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

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

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

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Commercial Wholesale Financing Volume

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

	Average balance Six months ended June 30,		% Share of dealer inventory Six months ended June 30,	
	2011	2010	2011	2010
	($ in millions)		(%)	
GM new vehicles				
North America (a)	$ 15,962	$ 14,132	82	85
International (excluding China) (b)(c)	3,931	2,797	80	74
China (b)(d)	1,106	1,045	81	81
Total GM new vehicles financed	20,999	17,974		
Chrysler new vehicles				
North America (a)	7,660	5,492	68	71
International	22	43		
Total Chrysler new vehicles financed	7,682	5,535		
Other non-GM / Chrysler new vehicles				
North America	2,128	1,928		
International (excluding China)	140	63		
Total other non-GM / Chrysler new vehicles financed	2,268	1,991		
Used vehicles				
North America	3,111	3,035		
International (excluding China)	157	391		
Total used vehicles financed	3,268	3,426		
Total commercial wholesale finance receivables	$ 34,217	$ 28,926		

(a) Share of dealer inventory based on end of period dealer inventory (excluding 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) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest.

Commercial wholesale financing average balance increased for the six months ended June 30, 2011, compared to the same period in 2010, primarily due to increasing global automotive sales and the corresponding increase in dealer inventories in virtually every market.

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

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

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

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

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

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

Other Commercial Automotive Financing

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

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

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Servicing and Monitoring

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

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

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

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North American Automotive Finance Operations

Results of Operations

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

	Six months ended June 30,		
	2011	2010	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	$ 1,374	$ 1,106	24
Commercial	655	686	(5)
Loans held-for-sale		98	(100)
Operating leases	1,245	2,053	(39)
Other interest income	46	95	(52)
Total financing revenue and other interest income	3,320	4,038	(18)
Interest expense	1,186	1,222	3
Depreciation expense on operating lease assets	438	1,093	60
Net financing revenue	1,696	1,723	(2)
Other revenue			
Servicing fees	87	115	(24)
Gain on automotive loans, net	15	179	(92)
Other income	121	95	27
Total other revenue	223	389	(43)
Total net revenue	1,919	2,112	(9)
Provision for loan losses	101	207	51
Noninterest expense			
Compensation and benefits expense	227	194	(17)
Other operating expenses	514	507	(1)
Total noninterest expense	741	701	(6)
Income before income tax expense	$ 1,077	$ 1,204	(11)
Total assets	$ 90,943	$ 74,146	23
Operating data			
Retail originations	$ 18,334	$ 14,214	29
Lease originations	4,289	1,523	182

n/m = not meaningful

First Six Months 2011 Compared to First Six Months 2010

Our North American Automotive Finance operations earned income before income tax expense of $1.1 billion for the six months ended June 30, 2011, compared to $1.2 billion for the six months ended June 30, 2010. The decrease in 2011 was primarily driven by less favorable remarketing results in our operating lease portfolio, due primarily to lower lease termination volumes as a result of the declines in the size of the lease portfolio and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. The decline was partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to the improvement of automotive industry sales, as well as a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 24% for the six months ended June 30, 2011, compared to the same period in 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from the recovery of automotive industry sales. Additionally, we increased our origination volumes for used vehicle automotive financing and have also begun to prudently expand our nonprime origination volume. The increase in consumer revenue was partially offset by 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 $98 million for the six months ended June 30, 2011, compared to the same period in 2010, due to the expiration of our automotive forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions. Currently, there are no loans classified as held-for-sale.

Operating lease revenue decreased 39% for the six months ended June 30, 2011, compared to the same period in 2010. Operating lease revenue (along with the related depreciation expense) decreased due to a decline in the size of our operating lease portfolio. In 2008, we significantly curtailed leasing based on credit market dislocation and the significant decline in used vehicle prices that resulted in increasing residual losses and an impairment of our lease portfolio. During the latter half of 2009, we re-entered the leasing market with targeted lease product offerings and have continued to expand lease originations during 2010 and the first half of 2011. Results for the six months ended June 30, 2011 were unfavorably impacted by lower lease remarketing gains. While the market for used vehicles remains strong, our lease termination volume has declined as a result of the reduction on the size of the portfolio, resulting in lower remarketing gains.

Other interest income decreased 52% for the six months ended June 30, 2011, compared to the same period in 2010, primarily due to lower FTP income related to lower rates and a change in funding mix.

Net gain on automotive loans decreased $164 million for the six months ended June 30, 2011, compared to the same period in 2010 primarily due to the expiration of our forward flow agreements during the fourth quarter of 2010.

Other income increased 27% for the six months ended June 30, 2011, compared to the same period in 2010. The increase was primarily due to unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010.

The provision for loan losses was $101 million for the six months ended June 30, 2011, compared to $207 million for the same period in 2010. The decrease was primarily due to enhanced credit quality driven by improved loss performance in the consumer loan portfolio, continued runoff of our Nuvell nonprime consumer portfolio, and continued favorable pricing in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

Noninterest expense increased 6% for the six months ended June 30, 2011, compared to the same period in 2010. The increase was primarily driven by an increase in compensation and benefit costs resulting primarily from higher incentive compensation.

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

n/m = not meaningful

2010 Compared to 2009

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

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

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

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

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

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

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

2009 Compared to 2008

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

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

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

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

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

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

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

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

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

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International Automotive Finance Operations

Results of Operations

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

	Six months ended June 30, 2011	Six months ended June 30, 2010	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	$ 601	$ 543	11
Commercial	215	194	11
Loans held-for-sale		9	(100)
Operating leases	55	118	(53)
Other interest income	50	14	n/m
Total financing revenue and other interest income	921	878	5
Interest expense	535	439	(22)
Depreciation expense on operating lease assets	39	88	56
Net financing revenue	347	351	(1)
Other revenue			
Gain on automotive loans, net		10	(100)
Other income	140	167	(16)
Total other revenue	140	177	(21)
Total net revenue	487	528	(8)
Provision for loan losses	44	30	(47)
Noninterest expense			
Compensation and benefits expense	89	88	(1)
Other operating expenses	243	268	9
Total noninterest expense	332	356	7
Income from continuing operations before income tax expense	$ 111	$ 142	(22)
Total assets	$ 16,582	$ 16,596	
Operating data			
Consumer originations	$ 4,165	$ 3,127	33

n/m = not meaningful

First Six Months 2011 Compared to First Six Months 2010

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $111 million during the six months ended June 30, 2011, compared to income from continuing operations before income tax expense of $142 million during the six months ended June 30, 2010. Results for the six months ended June 30, 2011, were unfavorably impacted by an increase in provision for loan losses, as well as favorable mark-to-market adjustments on derivatives during the same period in 2010.

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

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exchange rates and an increase in FTP income in certain countries, which were partially offset by a decline in operating lease revenue. Operating lease revenue (along with the related depreciation expense) decreased primarily due to the continued runoff of the full-service leasing portfolio.

Interest expense increased 22% for the six months ended June 30, 2011, compared to the same period in 2010. The increase was primarily due to an increase in FTP expense in certain countries and movement in foreign currency exchange rates.

Other income decreased 16% for the six months ended June 30, 2011, compared to the same period in 2010. The decrease was primarily due to favorable mark-to-market adjustments on derivatives during the same period in 2010 partially offset by higher earnings from the China joint venture in 2011.

The provision for loan losses was $44 million for the six months ended June 30, 2011, compared to $30 million for the same period in 2010. The increase in year-to-date provision is related to actions taken in the first three months of 2011 due to recent concerns regarding specific commercial loans.

Other operating expenses decreased 9% for the six months ended June 30, 2011, compared to the same period in 2010. The decrease was primarily due to lower expenses associated with the wind-down of operations in certain countries and our continued focus on cost reduction partially offset by favorable tax rulings in the second quarter of 2010 that did not repeat.

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

Operating data

Consumer originations	$ 7,612	$ 5,710	$ 9,272	33	(38)

n/m = not meaningful

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2010 Compared to 2009

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

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

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

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

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

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

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

2009 Compared to 2008

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

Total financing revenue and other interest income decreased 28% for the year ended December 31, 2009, compared to 2008. Consumer financing revenue decreased 21% during the year ended December 31, 2009, primarily due to lower consumer asset levels as a result of significantly lower originations due to the general economic recession, lower GM vehicle sales volume in 2009, and the wind-down of operations in several countries. Consumer asset levels at December 31, 2009, decreased $3.7 billion, or 24%, compared to December 31, 2008. Commercial revenue decreased 40% during 2009 compared to 2008, primarily due to lower commercial asset levels resulting from decreased GM sales volume and the wind-down of operations in several

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countries. Operating lease revenue decreased due to the significant curtailment of the lease product beginning in late 2008 and the runoff of assets in the full-service leasing portfolio. Interest and dividend income decreased 72% during the year ended December 31, 2009, primarily due to lower intercompany income resulting from a decline in intercompany-lending activity with our Commercial Finance Group and the reclassification of interest income on a one-time Brazil judicial deposit in 2008. Additionally, total financing revenue and other interest income were unfavorably impacted by foreign-currency movements as a result of the strengthening of the U.S. dollar in 2009 compared to 2008.

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

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

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

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

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

Insurance

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

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

	Six months ended June 30, 2011	Six months ended June 30, 2010
	($ in millions)	
Vehicle service contracts		
New retail	$ 183	$ 152
Used retail	217	220
Total vehicle service contracts	400	372
Wholesale	52	47
Other finance and insurance (a)	71	57
North American operations	523	476
International operations (b)	318	362
Total	$ 841	$ 838

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

(b) International operations for the six months ended June 30, 2010, includes $63 million of written premium from certain international insurance operations that were sold during the fourth quarter of 2010.

Insurance premiums and service revenue written was $841 million for the six months ended June 30, 2011, compared to $838 million for the same period in 2010. Insurance premiums and service revenue written increased due to higher written premiums in our U.S. dealership-related products, particularly our vehicle service contract products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the expected loss pattern. As such, the majority of earnings from vehicle service contracts written during the six months ended June 30, 2011, will be recognized as income in future periods. The increase of insurance premiums and service revenue written was partially offset by the sale of certain international insurance operations during the fourth quarter of 2010.

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

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

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

Underwriting and Risk Management

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

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

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

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

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

Cash and Investments

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

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

	June 30, 2011	December 31, 2010	December 31, 2009
	($ in millions)		
Cash			
Noninterest-bearing cash	$ 37	$ 28	$ 17
Interest-bearing cash	1,091	1,168	104
Total cash	1,128	1,196	121
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	79	219	198
States and political subdivisions			806
Foreign government	811	744	844
Mortgage-backed	886	826	462
Asset-backed	61	11	58
Corporate debt	1,553	1,559	1,354
Other debt			261
Total debt securities	3,390	3,359	3,983
Equity securities	1,170	796	671
Total available-for-sale securities	4,560	4,155	4,654
Total cash and securities	$ 5,688	$ 5,351	$ 4,775

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Loss Reserves

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

Results of Operations

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

First Six Months 2011 Compared to First Six Months 2010

	Six months ended June 30,		
	2011	**2010**	**Favorable/ (unfavorable) % change**
	($ in millions)		
Insurance premiums and other income			
Insurance premiums and service revenue earned	$ 856	$ 929	(8)
Investment income	151	227	(33)
Other income	29	38	(24)
Total insurance premiums and other income	1,036	1,194	(13)
Expense			
Insurance losses and loss adjustment expenses	410	420	2
Acquisition and underwriting expense			
Compensation and benefits expense	63	57	(11)
Insurance commissions expense	259	304	15
Other expenses	97	122	20
Total acquisition and underwriting expense	419	483	13
Total expense	829	903	8
Income from continuing operations before income tax expense	$ 207	$ 291	(29)
Total assets	$ 8,533	$ 8,522	
Insurance premiums and service revenue written	$ 841	$ 838	
Combined ratio (a)	94.4%	93.8%	

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

Our Insurance operations earned income from continuing operations before income tax expense of $207 million for the six months ended June 30, 2011, compared to $291 million for the six months ended June 30, 2010. The decrease was primarily attributable to lower realized investment gains and higher weather related losses in the United States.

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

Investment income totaled $151 million for the six months ended June 30, 2011, compared to $227 million for the same period in 2010. The decrease was primarily due to lower realized investment gains. The fair value of the investment portfolio was $4.6 billion and $4.2 billion at June 30, 2011 and 2010, respectively.

Insurance losses and loss adjustment expenses decreased 2% for the six months ended June 30, 2011, compared to the same period in 2010. This decrease was primarily due to lower losses on our U.S. vehicle service contracts and the sale of certain international insurance operations during the fourth quarter of 2010, partially offset by higher weather related losses.

Acquisition and underwriting expense decreased 13% for the six months ended June 30, 2011, compared to the same period in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

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

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

2010 Compared to 2009

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

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

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

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

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

2009 Compared to 2008

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

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

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

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

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

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

Mortgage

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

Loan Production

U.S. Mortgage Loan Production Channels

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

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

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

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

	Six months ended June 30, 2011 No. of loans	2011 Dollar amount of loans	2010 No. of loans	2010 Dollar amount of loans
		($ in millions)		
Correspondent lender and secondary market purchases	90,245	$ 20,488	99,279	$ 22,644
Direct lending	14,789	2,830	16,523	3,428
Mortgage brokers	3,068	873	222	56
Total U.S. production	108,102	$ 24,191	116,024	$ 26,128

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

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

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

Mortgage Loan Production by Type

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

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

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

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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.

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

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

International loans Consumer mortgage loans originated in Canada and Mexico.

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

	Six months ended June 30,			
	2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
	($ in millions)			
Prime conforming	92,072	$ 20,513	80,783	$ 18,537
Prime nonconforming	790	675	996	832
Prime second-lien				
Government	15,240	3,003	34,245	6,759
Nonprime				
Total U.S. production	108,102	24,191	116,024	26,128
International production	2,838	595	3,379	636
Total production	110,940	$ 24,786	119,403	$ 26,764

	Year ended December 31,					
	2010		2009		2008	
	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans	No. of loans	Dollar amount of loans
	($ in millions)					
Prime conforming	228,936	$ 53,721	164,780	$ 37,651	134,853	$ 29,711
Prime nonconforming	1,837	1,548	1,236	992	3,245	1,425
Prime second-lien			3	1	6,335	478
Government	71,289	14,273	137,550	26,087	58,696	10,506
Nonprime						
Total U.S. production	302,062	69,542	303,569	64,731	203,129	42,120
International production (a)	7,674	1,501	7,955	1,362	10,879	2,038
Total production	309,736	$ 71,043	311,524	$ 66,093	214,008	$ 44,158

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

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U.S. Warehouse Lending

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

Loans Outstanding

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

	June 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Prime conforming	$ 2,064	$ 5,585	$ 3,455
Prime nonconforming			1
Prime second-lien			
Government (a)	3,005	3,434	3,878
Nonprime			
International	196	351	49
Total	5,265	9,370	7,383
Net premiums	58	135	88
Fair value option election adjustment	30	(61)	23
Lower-of-cost or fair value adjustment	(3)	(2)	(6)
Total, net	$ 5,350	$ 9,442	$ 7,488

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

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

	June 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Prime conforming	$	$	$
Prime nonconforming	2,448	2,068	947
Prime second-lien			
Government			
Nonprime			
International	257	289	316
Total	2,705	2,357	1,263
Net premiums	11	11	4
Fair value option election adjustment			

Allowance for loan losses	(14)	(14)	(33)
Total, net	$ 2,702	$ 2,354	$ 1,234

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

	June 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Prime conforming	$ 329	$ 336	$ 314
Prime nonconforming	641	674	1,220
Prime second-lien	563	634	775
Government	18	18	37
Nonprime	609	637	978
International	33	13	575
Total (a)	2,193	2,312	3,899
Net discounts	(304)	(296)	(407)
Fair value option election adjustment	(17)	(1)	
Lower-of-cost or fair value adjustment	(54)	(46)	(113)
Total, net (b)	$ 1,818	$ 1,969	$ 3,379

(a) Includes unpaid principal balance write-downs of $1.7 billion, $1.8 billion and $3.6 billion at June 30, 2011, December 31, 2010 and 2009, respectively. The amounts are for write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(b) Includes loans subject to conditional repurchase options of $122 million, $146 million and $237 million sold to off-balance sheet private-label securitizations at June 30, 2011, December 31, 2010 and 2009, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

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

	June 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Prime conforming	$ 298	$ 323	$ 386
Prime nonconforming	5,628	6,059	7,301
Prime second-lien	2,406	2,642	3,201
Government			
Nonprime	1,458	1,583	6,055
International	506	573	9
Total	10,296	11,180	16,952
Net premiums	22	26	95
Fair value option election adjustment	(1,752)	(1,890)	(5,789)
Allowance for loan losses	(521)	(542)	(607)
Total, net (a)	$ 8,045	$ 8,774	$ 10,651

(a)

At June 30, 2011, December 31, 2010 and 2009, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $946 million, $1.0 billion and $1.5 billion, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

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

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

Mortgage Loan Servicing

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

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

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

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

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

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

	June 30, 2011	December 31, 2010	2009	2008
	($ in millions)			
U.S. primary servicing portfolio				
Prime conforming	$ 227,034	$ 220,762	$ 210,914	$ 225,142
Prime nonconforming	48,754	52,643	58,103	67,034
Prime second-lien	7,573	10,851	14,729	24,260
Government	48,975	48,550	40,230	20,323
Nonprime	21,948	22,874	25,837	28,275
International primary servicing portfolio	6,170	5,087	25,941	28,754
Total primary mortgage loan-servicing portfolio(a)	$ 360,454	$ 360,767	$ 375,754	$ 393,788

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $23.7 billion, $24.2 billion, $28.7 billion and $35.5 billion at June 30, 2011, and December 31, 2010, 2009 and 2008, respectively.

Temporary Suspension of Mortgage Foreclosure Sales and Evictions and Consent Order

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

Origination and Servicing Operations

Results of Operations

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

	Six months ended June 30, 2011	2010	Favorable/ (unfavorable) (% change)
	($ in millions)		
Net financing loss			
Total financing revenue and other interest income	$ 205	$ 195	5
Interest expense	253	224	(13)
Net financing loss	(48)	(29)	(66)
Servicing fees	640	657	(3)
Servicing asset valuation and hedge activities, net	(192)	(154)	(25)
Total servicing income, net	448	503	(11)
Gain on mortgage loans, net	136	188	(28)
Other income, net of losses	89	114	(22)
Total other revenue	673	805	(16)

Total net revenue	625	776	(19)
Provision for loan losses	2	(34)	(106)
Noninterest expense			
Compensation and benefits expense	139	137	(1)
Representation and warranty expense	(2)	41	105
Other operating expenses	366	312	(17)
Total noninterest expense	503	490	(3)
Income before income tax expense	$ 120	$ 320	(63)
Total assets	$ 20,010	$ 20,014	

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First Six Months 2011 Compared to First Six Months 2010

Our Origination and Servicing operations earned income before income tax expense of $120 million for the six months ended June 30, 2011, compared to $320 million for the six months ended June 30, 2010. The decrease was primarily driven by unfavorable servicing asset valuation, net of hedge, lower net gains on the sale of mortgage loans, and the release of provision in 2010 that did not repeat in 2011.

Net financing losses were $48 million for the six months ended June 30, 2011, compared to $29 million for the same period in 2010. Net financing loss was unfavorably impacted by higher FTP as a result of larger asset balances and slightly unfavorable interest expense on Ginnie Mae repurchases.

Net servicing income was $448 million for the six months ended June 30, 2011, compared to $503 million for the same period in 2010. The decrease was impacted by regular MSR valuation adjustments.

The net gain on mortgage loans decreased 28% for the six months ended June 30, 2011, compared to the same period in 2010. The decrease during 2011 was primarily due to lower margins and production, partially offset by favorable market movement on pipeline hedge.

Other income, net of losses, was $89 million for the six months ended June 30, 2011, compared to $114 million for the same period in 2010. The decrease in other income was primarily related to the write-down of retained interests and lower mortgage processing fee income resulting from lower origination volume due to lower industry volume.

The provision for loan losses decreased $36 million for the six months ended June 30, 2011, compared to the same period in 2010. The decrease was attributable to the change in reserving methodology on the post-January 1, 2009 Origination and Servicing portfolio to better reflect the performance of the underlying collateral, as well as the release of reserves in 2010 on the commercial warehouse lending portfolio.

Total noninterest expense increased 3% for the six months ended June 30, 2011, compared to the same period in 2010, primarily due to a favorable reversal of a contingent liability during the three months ended June 30, 2010. The increase was partially offset by lower representation and warranty reserve expense in 2011 related to expected repurchases.

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

n/m = not meaningful

2010 Compared to 2009

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

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

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

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

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

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

2009 Compared to 2008

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

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

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

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

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

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

Legacy Portfolio and Other Operations

Results of Operations

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

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

	Six months ended June 30, 2011	Six months ended June 30, 2010	Favorable/ (unfavorable) (% change)
	($ in millions)		
Net financing revenue			
Total financing revenue and other interest income	$ 428	$ 743	(42)
Interest expense	272	378	28
Net financing revenue	156	365	(57)
Servicing fees	(3)	(5)	40
Servicing asset valuation and hedge activities, net			
Total servicing income, net	(3)	(5)	40
Gain on mortgage loans, net	52	160	(68)
Other income, net of losses	(22)	(60)	63
Total other revenue	27	95	(72)
Total net revenue	183	460	(60)
Provision for loan losses	83	133	38
Noninterest expense			
Compensation and benefits expense	68	42	(62)
Representation and warranty expense	212	104	(104)
Other operating expenses	33	115	71
Total noninterest expense	313	261	(20)
(Loss) income from continuing operations before income tax expense	$ (213)	$ 66	n/m
Total assets	$ 11,313	$ 26,029	(57)

n/m = not meaningful

First Six Months 2011 Compared to First Six Months 2010

Our Legacy Portfolio and Other operations incurred losses from continuing operations before income tax expense of $213 million for the six months ended June 30, 2011, compared to income from continuing operations before income tax expense of $66 million for the six months ended June 30, 2010. The loss in 2011 was higher primarily due to a $121 million representation and warranty expense related to rescinded mortgage insurance on certain securitized mortgage loans, lower financing revenue related to a decrease in asset levels, and a lower net gain on the sale of mortgage loans.

Net financing revenue was $156 million for the six months ended June 30, 2011, compared to $365 million for the same period in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $52 million for the six months ended June 30, 2011, compared to $160 million for the same period in 2010. The decrease during 2011 was primarily due to lower whole-loan sales and mortgage loan resolutions.

Other income, net of losses, was a loss of $22 million for the six months ended June 30, 2011, compared to a loss of $60 million fir the same period in 2010. The improvement for the six months ended June 30, 2011,

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

The provision for loan losses was $83 million for the six months ended June 30, 2011, compared to $133 million for the same period in 2010. The provision reflects the positive trends in credit performance and continued portfolio seasoning, which benefited from 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.

Total noninterest expense increased 20% for the six months ended June 30, 2011, compared to the same period in 2010. The increase was primarily driven by a $121 million representation and warranty expense for certain securitized mortgages for which mortgage insurance was rescinded. The increase was partially offset by lower real estate owned expense due to fewer foreclosures, lower real estate owned balances, favorable average real estate owned values, and lower taxes and expense related to real estate owned properties.

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

n/m = not meaningful

2010 Compared to 2009

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

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

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

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

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

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

2009 Compared to 2008

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

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

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

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

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

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

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

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Corporate and Other

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

	Six months ended June 30,		
	2011	2010	Favorable/ (unfavorable) (% change)
	($ in millions)		
Net financing loss			
Total financing revenue and other interest income	$ 88	$ 71	24
Interest expense			
Original issue discount amortization	556	589	6
Other interest expense	480	484	1
Total interest expense	1,036	1,073	3
Net financing loss	(948)	(1,002)	5
Other revenue			
Loss on extinguishment of debt	(64)	(121)	47
Other gain on investments, net	65	79	(18)
Other income, net of losses	131	(79)	n/m
Total other revenue (expense)	132	(121)	n/m
Total net expense	(816)	(1,123)	27
Provision for loan losses	(66)	26	n/m
Noninterest expense			
Compensation and benefits expense	272	296	8
Other operating expense	(14)	(44)	(68)
Total noninterest expense	258	252	(2)
Loss from continuing operations before income tax expense	$ (1,008)	$ (1,401)	28
Total assets	$ 31,508	$ 31,465	

n/m = not meaningful

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

	Six months ended June 30,	
	2011	2010
	($ in millions)	
Original issue discount amortization (a)	$ (556)	$ (589)
Net impact of the FTP methodology		
Cost of carry on the cash and investment portfolio	(299)	(245)
ALM/FTP cost of funds mismatch	(176)	(113)

Net other unallocated interest income (costs)	27	(99)
Total net impact of the FTP methodology	(448)	(457)
Commercial Finance Group net financing revenue and other	56	44
Total net financing losses for Corporate and Other	$ (948)	$ (1,002)

(a) The original issue discount associated with our 2008 bond exchange and cash tender offers in 2008 was $534 million during the six months ended June 30, 2011, compared to $568 million during the same period in 2010. The remaining amount is attributable to new debt issuance discount amortization.

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

	Year ended December 31,						
	2011 (a)	2012	2013	2014	2015	2016 and thereafter (b)	Total
				($ in millions)			
Original issue discount							
Outstanding balance	$ 2,195	$ 1,844	$ 1,580	$ 1,390	$ 1,334	$	
Total amortization (c)	369	351	264	190	56	1,334	$ 2,564
2008 bond exchange amortization (d)	352	320	241	166	43	1,178	2,300

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

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

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

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

First Six Months 2011 Compared to First Six Months 2010

Loss from continuing operations before income tax expense for Corporate and Other was $1.0 billion for the six months ended June 30, 2011, compared to $1.4 billion for the six months ended June 30, 2010. Corporate and Other s loss from continuing operations before income tax expense is primarily due to net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology. The net impact of our FTP methodology includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvements in the loss from continuing operations before income tax expense for the six months ended June 30, 2011, were 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. The six months ended June 30, 2011, was favorably impacted by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of $50 million for the six months ended June 30, 2011, compared to $101 million for the six months ended June 30, 2010), partially offset by unfavorable net derivative activity.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $133 million for the six months ended June 30, 2011, compared to $39 million for the six months ended June 30, 2010. The increase was primarily related to a lower provision for loan losses due to a specific reserve release and a decrease in non-specific loss reserves driven by a decline in the size of the loan portfolio.

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

n/m = not meaningful

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

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

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

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

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

2010 Compared to 2009

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

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

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

2009 Compared to 2008

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

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

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Cash and Securities

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

	June 30, 2011	December 31, 2010	December 31, 2009
		($ in millions)	
Cash			
Noninterest-bearing cash	$ 1,940	$ 1,637	$ 1,500
Interest-bearing cash	10,980	7,964	11,241
Total cash	12,920	9,601	12,741
Trading securities			
U.S. Treasury		75	
Mortgage-backed	272	25	45
Asset-backed		93	595
Total trading securities	272	193	640
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	1,089	3,097	3,285
States and political subdivisions	2	2	5
Foreign government	510	499	
Mortgage-backed	6,936	4,973	2,941
Asset-backed	2,160	1,936	969
Corporate debt			119
Other debt (a)	674	151	(261)
Total debt securities	11,371	10,658	7,058
Equity securities			4
Total available-for-sale securities	11,371	10,658	7,062
Total cash and securities	$ 24,563	$ 20,452	$ 20,443

(a) Includes intersegment eliminations.

Risk Management

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

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

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

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

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

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

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

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

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

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

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Loan and Lease Exposure

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

	June 30, 2011	December 31, 2010	December 31, 2009
	($ in millions)		
Finance receivables and loans			
Global Automotive Services	$ 96,452	$ 86,888	$ 60,021
Mortgage operations	12,612	13,423	14,555
Corporate and Other	1,661	2,102	3,125
Total finance receivables and loans	110,725	102,413	77,701
Held-for-sale loans			
Global Automotive Services			9,601
Mortgage operations	7,168	11,411	10,867
Corporate and Other			157
Total held-for-sale loans	7,168	11,411	20,625
Total on-balance sheet loans	$ 117,893	$ 113,824	$ 98,326
Off-balance sheet securitized loans			
Global Automotive Services	$	$	$ 7,475
Mortgage operations	330,276	326,830	332,982
Corporate and Other			
Total off-balance sheet securitized loans	$ 330,276	$ 326,830	$ 340,457
Operating lease assets			
Global Automotive Services	$ 9,015	$ 9,128	$ 15,994
Mortgage operations			
Corporate and Other			1
Total operating lease assets	$ 9,015	$ 9,128	$ 15,995
Serviced loans and leases			
Global Automotive Services	$ 121,624	$ 115,358	$ 113,661
Mortgage operations (a)	360,454	360,767	375,754
Corporate and Other	2,340	2,448	3,282
Total serviced loans and leases	$ 484,418	$ 478,573	$ 492,697

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

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

Finance receivables and loans Loans that we have the intent and ability to hold for the foreseeable future or to maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period

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earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications), and optimizing our product and geographic concentrations. Additionally, we have elected to carry certain mortgage loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and are reflected in current period earnings. We use market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to Critical Accounting Estimates and Note 1 to the Consolidated Financial Statements for further information.

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

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

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

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

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Credit Risk Management

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

During the first half of 2011, the U.S. economy continued to expand, but at a below-trend pace. Within the automotive markets, demand and pricing have been strong for used vehicles; however, limited supply and reduced incentives in the new vehicle market have led to lower sales in the second quarter of 2011. We continue to be cautious due to higher average gasoline prices and their effect on automotive sales, the recent slow down in the labor market recovery, the ongoing correction in the housing market, and uncertainty emanating from the debt issues of developed economies. As a result, this underlying uncertainty may continue to affect our loan portfolio through the upcoming periods.

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

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

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

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

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

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

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At June 30, 2011 and December 31, 2010, this primarily included 96.4 billion and $86.9 billion of automobile finance receivables and loans and $19.8 billion and $24.8 billion of mortgage finance receivables and loans, respectively. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

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

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

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

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 69,147	$ 62,002	$ 582	$ 768	$ 5	$ 6
Loans at fair value	946	1,015	242	260		
Total finance receivables and loans	70,093	63,017	824	1,028	5	6
Loans held-for-sale	7,168	11,411	2,931	3,273	35	25
Total consumer loans	77,261	74,428	3,755	4,301	40	31
Commercial						
Finance receivables and loans						
Loans at historical cost	40,632	39,396	609	740		
Loans at fair value						
Total finance receivables and loans	40,632	39,396	609	740		
Loans held-for-sale						
Total commercial loans	40,632	39,396	609	740		
Total on-balance sheet loans	$ 117,893	$ 113,824	$ 4,364	$ 5,041	$ 40	$ 31

(a) Includes nonaccrual troubled debt restructured loans of $716 million and $684 million at June 30, 2011, and December 31, 2010, respectively.

(b) Includes troubled debt restructured loans classified as 90 days past due and still accruing of $26 million and $13 million at June 30, 2011, and December 31, 2010, respectively.

Total on-balance sheet loans outstanding at June 30, 2011, increased $4.1 billion to $117.9 billion from December 31, 2010, reflecting an increase of $2.8 billion in the consumer portfolio and an increase of $1.2 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding from December 31, 2010, was the result of increased automobile originations, which outpaced portfolio runoff, due to strong industry sales and automotive manufacturer penetration. The increase was partially offset by a decrease in mortgage originations in our consumer mortgage business and lower line utilization in our commercial mortgage business driven in part by lower industry volume.

The total TDRs outstanding at June 30, 2011, increased $197 million to $1.7 billion from December 31, 2010. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures. We have participated in a variety of government modification programs, such as the Home Affordable Modification Program (HAMP), as well as internally developed modification programs.

Total nonperforming loans at June 30, 2011, decreased $677 million to $4.4 billion from December 31, 2010, reflecting a decrease of $546 million of consumer nonperforming loans and a decrease of $131 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2010, was largely due to improvement within our consumer mortgage portfolio and the continued wind-down of non-core commercial assets.

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

	Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)	
	2011	2010	2011	2010
	($ in millions)			
Consumer				
Finance receivables and loans at historical cost	$ 273	$ 436	0.8%	1.7%
Commercial				
Finance receivables and loans at historical cost	37	187	0.2	1.0
Total finance receivables and loans at historical cost	$ 310	$ 623	0.6	1.4

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

Our net charge-offs were $310 million for the six months ended June 30, 2011, compared to $623 million for the six months ended June 30, 2010. This decrease in net charge-offs was primarily driven by improvement within our consumer automotive and mortgage portfolios and the workout of certain commercial real estate and resort finance assets in prior periods. Loans held-for-sale are accounted for at the lower of cost or fair value, and therefore we do not record charge-offs.

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

	Outstanding December 31,		Nonperforming (a)(b) December 31,		Accruing past due 90 days or more (c) December 31,	
	2010	2009	2010	2009	2010	2009
	($ in millions)					
Consumer						
Finance receivables and loans						
Loans at historical cost	$ 62,002	$ 41,458	$ 768	$ 816	$ 6	$ 7
Loans at fair value	1,015	1,391	260	499		
Total finance receivables and loans	63,017	42,849	1,028	1,315	6	7
Loans held-for-sale	11,411	20,468	3,273	3,390	25	33
Total consumer loans	74,428	63,317	4,301	4,705	31	40
Commercial						
Finance receivables and loans						
Loans at historical cost	39,396	34,852	740	1,883		3
Loans at fair value						
Total finance receivables and loans	39,396	34,852	740	1,883		3
Loans held-for-sale		157				
Total commercial loans	39,396	35,009	740	1,883		3

Total on-balance sheet loans	$ 113,824	$ 98,326	$ 5,041	$ 6,588	$ 31	$ 43

(a) Nonperforming loans are loans placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information.

(b) Includes nonaccrual troubled debt restructured loans of $684 million and $1.0 billion at December 31, 2010 and 2009, respectively.

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(c) Includes troubled debt restructured loans classified as 90 days past due and still accruing of $13 million and $0 million at December 31, 2010 and 2009, respectively.

Total on-balance sheet loans outstanding at December 31, 2010, increased $15.5 billion to $113.8 billion from December 31, 2009, reflecting an increase of $11.1 billion in the consumer portfolio and $4.4 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding from December 31, 2009, was the result of increased automobile originations due to strengthened automotive industry sales and improved automotive manufacturer penetration, increased retention of originated automobile loans, and the impact of adopting ASU 2009-17. The increase was partially offset by certain mortgage legacy asset sales, automobile whole-loan sales, and the deconsolidation of certain mortgage legacy assets that no longer qualified under ASU 2009-17.

Total TDRs outstanding at December 31, 2010, increased $411 million to $1.5 billion from December 31, 2009. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures. We participated in a variety of government modification programs, such as HARP and HAMP, as well as internally developed modification programs.

Total nonperforming loans at December 31, 2010, decreased $1.5 billion to $5.0 billion from December 31, 2009, reflecting a decrease of $404 million of consumer nonperforming loans and a decrease of $1.1 billion of commercial nonperforming loans. The decrease in commercial nonperforming loans from December 31, 2009, was largely due to sale of the resort finance portfolio and improved dealer performance. Partially offsetting the improvement in nonperforming loans was the impact of adopting ASU 2009-17, continued housing weakness, and seasoning of first mortgage loans remaining within our portfolio.

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

	Net charge offs Year ended December 31,		Net charge off ratios (a) Year ended December 31,	
	2010	2009	2010	2009
	($ in millions)		(%)	
Consumer				
Finance receivables and loans at historical cost	$ 796	$ 6,082	1.5%	11.2%
Commercial				
Finance receivables and loans at historical cost	402	1,017	1.1	2.8
Total finance receivables and loans at historical cost	1,198	7,099	1.3	7.9
Transfers to held-for-sale (b)		(3,438)		
Adjusted total finance receivables and loans at historical cost	$ 1,198	$ 3,661	1.3	4.1

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

(b) The year ended December 31, 2009, includes $3.4 billion and $10 million of net charge offs related to transfers to held-for-sale for consumer and commercial, respectively.

Our net charge-offs were $1.2 billion for the year ended December 31, 2010, compared to $7.1 billion for the year ended December 31, 2009. This decline was driven primarily by portfolio composition changes as a result of strategic actions including the write-down and reclassification of certain legacy mortgage loans during the fourth quarter of 2009 and improvement in our Nuvell portfolio during 2010, partially offset by charge-offs taken on our resort finance portfolio recorded in 2009 and 2010. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore, we do not record charge-offs.

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

Consumer Credit Portfolio

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

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

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

During the six months ended June 30, 2011, the credit performance of the consumer portfolio continued to improve overall as our nonperforming finance receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to our Consolidated Financial Statements.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
	($ in millions)					
Domestic						
Consumer automobile	$ 41,495	$ 34,604	$ 103	$ 129	$	$
Consumer mortgage						
1st Mortgage	6,857	6,917	300	388	1	1
Home equity	3,269	3,441	54	61		
Total domestic	51,621	44,962	457	578	1	1
Foreign						
Consumer automobile	17,240	16,650	81	78	4	5
Consumer mortgage						
1st Mortgage	286	390	44	112		
Home equity						
Total foreign	17,526	17,040	125	190	4	5
Total consumer finance receivables and loans	$ 69,147	$ 62,002	$ 582	$ 768	$ 5	$ 6

(a) Includes nonaccrual troubled debt restructured loans of $164 million and $204 million at June 30, 2011, and December 31, 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2011, and December 31, 2010.

Total consumer outstanding finance receivables and loans increased $7.1 billion at June 30, 2011, compared with December 31, 2010. This increase was primarily driven by domestic automobile originations, which outpaced portfolio run-off, due to strong industry sales and automotive manufacturer penetration.

Total consumer nonperforming finance receivables and loans at June 30, 2011, decreased $186 million to $582 million from December 31, 2010, reflecting a decrease of $163 million of consumer mortgage nonperforming finance receivables and loans and a decrease of $23 million of consumer automotive nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to the continued run-off of lower quality legacy loans. Nonperforming consumer automotive finance receivables and loans decreased primarily due to increased quality of newer vintages. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.2% at June 30, 2011, and December 31, 2010, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $135 million to $667 million at June 30, 2011, compared with December 31, 2010, primarily due to increased quality of newer vintages.

During the year ended December 31, 2010, the credit performance of the consumer portfolio continued to improve overall as nonperforming loans and charge-offs declined. The decline in nonperforming loans was primarily driven by improvement in our Nuvell portfolio due to enhanced collection efforts. The year-over-year decline in net charge-offs was driven by the improved asset mix as the result of strategic actions that included the write-down and reclassification of certain legacy mortgage loans in the fourth quarter of 2009 as well as improvement in our Nuvell portfolio.

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

	Outstanding December 31,		Nonperforming (a) December 31,		Accruing past due 90 days or more (b) December 31,	
	2010	2009	2010	2009	2010	2009
			($ in millions)			
Domestic						
Consumer automobile	$ 34,604	$ 12,514	$ 129	$ 267	$	$
Consumer mortgage						
1st Mortgage	6,917	6,921	388	326	1	1
Home equity	3,441	3,886	61	71		
Total domestic	44,962	23,321	578	664	1	1
Foreign						
Consumer automobile	16,650	17,731	78	119	5	5
Consumer mortgage						
1st Mortgage	390	405	112	33		1
Home equity		1				
Total foreign	17,040	18,137	190	152	5	6
Total consumer finance receivables and loans	$ 62,002	$ 41,458	$ 768	$ 816	$ 6	$ 7

(a) Includes nonaccrual troubled debt restructured loans of $204 million and $263 million at December 31, 2010 and 2009, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2010 and 2009.

Total outstanding consumer finance receivables and loans increased $20.5 billion at December 31, 2010, compared with December 31, 2009. The increase in domestic automobile outstandings was driven by the consolidation of previously off-balance sheet loans due to the adoption of ASU 2009-17, increased originations due to strengthened automotive industry sales and improved automotive manufacturer penetration, increased retention of automobile originated loans, and the adoption of ASU 2009-17. The decrease in foreign automobile outstandings was driven by continued exit and liquidations in nonstrategic countries and overall market contraction in Europe.

Total consumer nonperforming loans at December 31, 2010, decreased $48 million to $768 million from December 31, 2009, reflecting a decrease of $179 million of consumer automobile nonperforming loans and an increase of $131 million of consumer mortgage nonperforming loans. Nonperforming consumer automobile loans decreased primarily due to enhanced collection efforts, increased quality of newer vintages and a change to our Nuvell portfolio nonaccrual policy to be consistent with our other automobile nonaccrual policies. Nonperforming consumer mortgage loans increased due to seasoning of the first mortgage loans remaining in our portfolio subsequent to the strategic actions taken in late 2009. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.2% and 2.0% at December 31, 2010 and 2009, respectively.

Consumer domestic automobile loans accruing and past due 30 days or more, included in outstandings in the table above, decreased $32 million to $802 million at December 31, 2010, compared with December 31, 2009. The decrease was primarily due to an improvement in our Nuvell portfolio as a result of enhanced collection efforts in addition to an increased quality of newer vintages in the overall automobile portfolio.

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

	Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)	
	2011	2010	2011	2010
	($ in millions)			
Domestic				
Consumer automobile	$ 133	$ 260	0.7%	2.3%
Consumer mortgage				
1st Mortgage	61	63	1.8	1.8
Home equity	38	38	2.3	2.0
Total domestic	232	361	0.9	2.2
Foreign				
Consumer automobile	39	74	0.5	0.9
Consumer mortgage				
1st Mortgage	2	1	1.2	0.7
Home equity				
Total foreign	41	75	0.5	0.9
Total consumer finance receivables and loans	$ 273	$ 436	0.8	1.7

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

Our net charge-offs from total consumer automobile finance receivables and loans decreased $162 million for the six months ended June 30, 2011, compared to the same period in 2010. The decrease in net charge-offs was primarily due to lower loss frequency, improvements in loss severity as a result of improved pricing in the used vehicle market, and continued strong customer recoveries.

Our net charge-offs from total consumer mortgage receivables and loans were $101 million for the six months ended June 30, 2011, compared to $102 million for the same period in 2010. The decrease was driven by reduced net charge-offs within our consumer legacy mortgage portfolio reflecting the continued run-off of lower quality legacy loans.

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

	Net charge-offs Year ended December 31,		Net charge-off ratios Year ended December 31,	
	2010	2009	2010	2009
	($ in millions)		(%)	
Domestic				
Consumer automobile	$ 457	$ 823	1.7%	5.8%
Consumer mortgage				
1st Mortgage	128	2,433	1.8	23.0
Home equity	85	1,579	2.4	24.6
Total domestic	670	4,835	1.8	15.5
Foreign				
Consumer automobile	123	301	0.8	1.5
Consumer mortgage				
1st Mortgage	3	946	0.8	25.1
Home equity				
Total foreign	126	1,247	0.8	5.4
Total consumer finance receivables and loans	796	6,082	1.5	11.2
Transfers to held-for-sale		(3,428)		
Adjusted total consumer finance receivables and loans	$ 796	$ 2,654	1.5	4.9

Our net charge-offs from total consumer automobile loans decreased $544 million for the year ended December 31, 2010, compared to 2009. The decrease in net charge-offs was primarily due to one-time charge-offs taken in 2009, as we aligned our internal policies to Federal Financial Institutions Examination Council (FFIEC) guidelines. Also contributing to the decrease in net charge-offs were improvements in loss severity driven by improved pricing in the used vehicle market and in loss frequency and customer recoveries due to enhanced collection efforts, primarily with our Nuvell portfolio.

Our net charge-offs from total consumer mortgage and home equity loans were $216 million for the year ended December 31, 2010, compared to $5.0 billion in 2009. The significant decrease was driven by portfolio composition changes as a result of strategic actions that included the write-down and reclassification of certain legacy mortgage loans from finance receivables and loans to held-for-sale during the fourth quarter of 2009.

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

	Six months ended June 30, 2011	2010
	($ in millions)	
Domestic		
Consumer automobile	$ 16,768	$ 12,470
Consumer mortgage		
1st Mortgage	24,191	26,128
Home equity		
Total domestic	40,959	38,598
Foreign		
Consumer automobile	4,422	3,908
Consumer mortgage		
1st Mortgage	595	638
Home equity		
Total foreign	5,017	4,546
Total consumer loan originations	$ 45,976	$ 43,144

Total domestic automobile-originated loans increased $4.3 billion for the six months ended June 30, 2011, compared to the same period in 2010, primarily due to strong industry sales and automotive manufacturer penetration.

Total domestic mortgage-originated loans decreased $1.9 billion for the six months ended June 30, 2011. The decrease for the six months ended June 30, 2011, was in part, the result of lower industry volume and a change in our product mix with less government-insured residential mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment were $21.9 billion for the six months ended June 30, 2011, and $14.6 billion for the six months ended June 30, 2010. The increase was primarily due to strong automotive industry sales and automotive manufacturer penetration in addition to increased balance sheet retention.

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

	Year ended December 31, 2010	2009
	($ in millions)	
Domestic		
Consumer automobile	$ 27,681	$ 18,091
Consumer mortgage		
1st Mortgage	69,542	64,731
Home equity		
Total domestic	97,223	82,822
Foreign		
Consumer automobile	8,818	5,843
Consumer mortgage		
1st Mortgage	1,503	1,405
Home equity		
Total foreign	10,321	7,248
Total consumer loan originations	$ 107,544	$ 90,070

Total domestic automobile loan originations increased $9.6 billion for the year ended December 31, 2010, compared to 2009, primarily due to the improved automotive market as well as the addition of Chrysler automotive financing business. Domestic automobile originations continue to reflect tightened underwriting standards, and most of these originations for 2010 were retained on-balance sheet as finance receivables and loans. Total foreign automobile originations increased $3.0 billion for the year ended December 31, 2010, compared to 2009 driven by improved Canadian automobile sales.

Total domestic mortgage loan originations increased $4.8 billion for the year ended December 31, 2010. The increase was due primarily to increased refinancing as customers continued to take advantage of historically low interest rates.

Consumer loan originations retained on-balance sheet as finance receivables and loans increased $24.9 billion to $35.1 billion at December 31, 2010, compared to 2009. The increase was primarily due to strengthened automotive industry sales, improved automotive manufacturer penetration, and increased retention of automobile-originated loans.

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The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $58.7 billion and $51.3 billion at June 30, 2011, and December 31, 2010, respectively. Total mortgage and home equity loans were $10.4 billion and $10.7 billion at June 30, 2011, and December 31, 2010, respectively.

	June 30, 2011 (a)		December 31, 2010		2009	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	9.3%	5.0%	9.2%	4.4%	7.5%	2.9%
California	4.6	24.9	4.6	24.5	2.7	23.3
Florida	4.5	4.0	4.4	4.1	2.1	4.4
Michigan	3.9	4.8	3.7	5.0	1.4	5.4
Illinois	3.0	4.9	2.8	4.7	1.9	4.4
New York	3.4	2.3	3.4	2.4	2.4	2.9
Pennsylvania	3.3	1.7	3.2	1.7	2.4	1.8
Ohio	2.8	1.0	2.5	1.0	1.6	1.2
Georgia	2.3	1.8	2.2	1.8	1.4	2.0
North Carolina	2.1	2.1	2.0	2.0	1.3	2.2
Other United States	31.4	44.7	29.4	44.7	16.7	45.9
Canada	12.7	2.7	14.2	3.6	20.1	3.6
Brazil	5.3		5.2		6.8	
Germany	5.0		5.7		13.3	
Other foreign	6.4	0.1	7.5	0.1	18.4	
Total consumer loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at June 30, 2011.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States were in California and Texas, which represented an aggregate of 16.3% of our total outstanding consumer finance receivables and loans at June 30, 2011.

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

Repossessed and Foreclosed Assets

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

Repossessed assets in our Automotive Finance operations at June 30, 2011, increased $2 million to $48 million from December 31, 2010. Foreclosed mortgage assets at June 30, 2011, decreased $37 million to $101 million from December 31, 2010.

Repossessed assets in our Automotive Finance operations at December 31, 2010, decreased $4 million to $46 million from December 31, 2009. Foreclosed mortgage assets at December 31, 2010, decreased $12 million to $138 million from December 31, 2009.

Higher-risk Mortgage Loans

During the six months ended June 30, 2011, we primarily focused our origination efforts on prime conforming and government guaranteed mortgages in the United States and high-quality insured mortgages in

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Canada. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

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

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

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

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

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

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

	Six months ended June 30, 2011	Six months ended June 30, 2010
	($ in millions)	
High original loan-to-value (greater than 100%) mortgage loans	$	$
Payment-option adjustable-rate mortgage loans		
Interest-only mortgage loans (a)		190
Below-market rate (teaser) mortgages		
Total higher-risk mortgage loan production	$	$ 190

(a) As of June 2010, this product was no longer offered.

	Year ended December 31, 2010	2009
	($ in millions)	
High original loan-to-value (greater than 100%) mortgage loans	$	$ 11
Payment-option adjustable-rate mortgage loans		
Interest-only mortgage loans (a)	209	316
Below-market rate (teaser) mortgages		
Total	$ 209	$ 327

(a) The originations during the year ended December 31, 2010, for interest-only mortgage loans had an average FICO of 763 and an average loan-to-value of 63% with 100% full documentation.

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

	Outstanding		Nonperforming		Accruing past due 90 days or more	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
			($ in millions)			
High original loan-to-value (greater than 100%) mortgage loans	$ 5	$ 5	$ 1	$	$	$
Payment-option adjustable-rate mortgage loans	4	5	1	1		
Interest-only mortgage loans (a)	3,284	3,681	163	207		
Below-market rate (teaser) mortgages	266	284	4	4		
Total higher-risk mortgage loans	$ 3,559	$ 3,975	$ 169	$ 212	$	$

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

The allowance for loan losses was $236 million or 6.6% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at June 30, 2011.

	December 31, 2010			2009		
	($ in millions)					
	Outstanding	Nonperforming	Accruing past due 90 days or more	Outstanding	Nonperforming	Accruing past due 90 days or more
High original loan-to-value (greater than 100%) mortgage loans	$ 5	$	$	$ 7	$ 4	$
Payment-option adjustable-rate mortgage loans	5	1		7	1	
Interest-only mortgage loans (a)	3,681	207		4,346	139	
Below-market rate (teaser) mortgages	284	4		331	2	

Total	$ 3,975	$	212	$	$ 4,691	$	146	$	

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

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Allowance for loan losses was $255 million or 6.4% of total higher-risk mortgage finance receivables and loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December 31, 2010.

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

($ in millions)	High original loan-to-value (greater than 100%) mortgage loans	Payment-option adjustable-rate mortgage loans	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk loans
June 30, 2011					
California	$	$ 1	$ 861	$ 84	$ 946
Virginia			297	11	308
Maryland			237	7	244
Michigan			207	9	216
Illinois			178	8	186
All other domestic and foreign	5	3	1,504	147	1,659
Total higher-risk mortgage loans	$ 5	$ 4	$ 3,284	$ 266	$ 3,559
December 31, 2010					
California	$	$ 1	$ 993	$ 89	$ 1,083
Virginia			330	12	342
Maryland			256	7	263
Michigan			225	10	235
Illinois			197	8	205
All other domestic and foreign	5	4	1,680	158	1,847
Total	$ 5	$ 5	$ 3,681	$ 284	$ 3,975
December 31, 2009					
California	$ 1	$ 2	$ 1,128	$ 102	$ 1,233
Virginia			397	13	410
Maryland			309	8	317
Michigan			259	11	270
Illinois			230	9	239
All other domestic and foreign	6	5	2,023	188	2,222
Total	$ 7	$ 7	$ 4,346	$ 331	$ 4,691

Commercial Credit Portfolio

Our commercial portfolio consists of automotive loans (wholesale floorplan, dealer term loans, and automotive fleet financing), commercial real estate loans, and other commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate. Further, our commercial credit exposure is concentrated in automotive dealerships (primarily GM and Chrysler). In 2009, we entered into an agreement with Chrysler to provide automotive financing products and services to Chrysler dealers and customers. Both GM and Chrysler are bound by repurchase obligations that, under certain circumstances, such as dealer default, require them to repurchase new vehicle inventory.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk

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rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors simultaneously for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the six months ended June 30, 2011, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined.

For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements .

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
Domestic						
Commercial and industrial						
Automobile	$ 26,125	$ 24,944	$ 214	$ 261	$	$
Mortgage	1,185	1,540	1			
Other (c)	1,432	1,795	40	37		
Commercial real estate						
Automobile	2,129	2,071	110	193		
Mortgage		1		1		
Total domestic	30,871	30,351	365	492		
Foreign						
Commercial and industrial						
Automobile	9,250	8,398	146	35		
Mortgage	28	41	28	40		
Other (c)	234	312	15	97		
Commercial real estate						
Automobile	208	216	17	6		
Mortgage	41	78	38	70		
Total foreign	9,761	9,045	244	248		
Total commercial finance receivables and loans	$ 40,632	$ 39,396	$ 609	$ 740	$	$

(a) Includes nonaccrual troubled debt restructured loans of $33 million and $9 million at June 30, 2011, and December 31, 2010, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2011, and December 31 2010.

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

Total commercial finance receivables and loans outstanding increased $1.2 billion to $40.6 billion at June 30, 2011, from December 31, 2010. Foreign commercial and industrial outstandings increased primarily due to growth in our Canadian automobile portfolio, partially offset by dealer exits and continued portfolio runoff

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within exited countries. Domestic commercial and industrial outstandings increased due to strong automotive industry sales, partially offset by mortgage warehouse lending declines in line utilization due in part to lower industry volume.

Total commercial nonperforming finance receivables and loans were $609 million, a decrease of $131 million compared to December 31, 2010, primarily due to the continued wind-down of non-core commercial assets and improvement in dealer performance. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 1.5% and 1.9% at June 30, 2011, and December 31, 2010, respectively.

During the year ended December 31, 2010, the credit performance of the commercial portfolio improved as nonperforming loans and net charge-offs declined. The decline in nonperforming loans was primarily driven by the sale of the resort finance portfolio, some improvement in dealer performance, and continued commercial mortgage asset dispositions. The decline in charge-offs in 2010 was primarily attributed to improved portfolio composition compared to 2009 due to the workout of certain commercial real estate assets and the strategic exit of underperforming automotive dealers.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	December 31,					
	2010	2009	2010	2009	2010	2009
	($ in millions)					
Domestic						
Commercial and industrial						
Automobile	$ 24,944	$ 19,604	$ 261	$ 281	$	$
Mortgage	1,540	1,572		37		
Other (c)	1,795	2,688	37	856		
Commercial real estate						
Automobile	2,071	2,008	193	256		
Mortgage	1	121	1	56		
Total domestic	30,351	25,993	492	1,486		
Foreign						
Commercial and industrial						
Automobile	8,398	7,943	35	66		
Mortgage	41	96	40	35		
Other (c)	312	437	97	131		3
Commercial real estate						
Automobile	216	221	6	24		
Mortgage	78	162	70	141		
Total foreign	9,045	8,859	248	397		3
Total commercial finance receivables and loans	$ 39,396	$ 34,852	$ 740	$ 1,883	$	$ 3

(a) Includes nonaccrual troubled debt restructured loans of $9 million and $59 million at December 31, 2010 and 2009, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2010 and 2009, respectively.

(c) Other commercial primarily includes senior secured commercial lending. Additionally, amounts at December 31, 2009, include the resort finance portfolio with an outstanding balance of $843 million, a nonperforming balance of $779 million, and an accruing past due 90 days or more balance of $0 million. We sold our resort finance portfolio during the third quarter of 2010.

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Total commercial finance receivables and loans outstanding increased $4.5 billion to $39.4 billion at December 31, 2010, from December 31, 2009. Commercial and industrial outstandings increased $4.7 billion due to the addition of the Chrysler automotive financing business and improved automotive industry sales with a corresponding increase in inventories partially offset by the sale of the resort finance portfolio. Commercial real estate outstandings decreased $146 million from December 31, 2009, due to continued asset dispositions.

Total commercial nonperforming loans were $740 million, a decrease of $1.1 billion compared to December 31, 2009, primarily due to the sale of the resort finance portfolio, some improvement in dealer performance, and continued mortgage asset dispositions. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 1.9% and 5.4% at December 31, 2010 and 2009, respectively.

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

	Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2011	2010	2011	2010
	($ in millions)			
Domestic				
Commercial and industrial				
Automobile	$ 5	$ 6	%	0.1%
Mortgage	2	(2)	0.3	(0.3)
Other	(3)	69	(0.4)	5.3
Commercial real estate				
Automobile	3	29	0.3	2.8
Mortgage	(1)	41	n/m	145.5
Total domestic	6	143		1.1
Foreign				
Commercial and industrial				
Automobile	3	3	0.1	0.1
Mortgage	8		41.8	
Other	4	29	2.6	16.3
Commercial real estate				
Automobile		2		2.0
Mortgage	16	10	54.9	14.0
Total foreign	31	44	0.6	1.0
Total commercial finance receivables and loans	$ 37	$ 187	0.2	1.0

n/m = not meaningful

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

Our net charge-offs from commercial finance receivables and loans totaled $37 million for the six months ended June 30, 2011, compared to $187 million for the same period in 2010. The decreases in net charge-offs were largely driven by an improved mix of loans in the existing portfolio driven by the workout of certain commercial real estate and resort finance assets in prior periods.

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

	Net charge-offs (recoveries)		Net charge-off ratios	
	Year ended December 31,			
	2010	2009	2010	2009
	($ in millions)		(%)	
Domestic				
Commercial and industrial				
Automobile	$ 18	$ 69	0.1%	0.4%
Mortgage	(3)	119	(0.2)	6.0
Other (a)	158	92	6.7	2.7
Commercial real estate				
Automobile	47	7	2.3	
Mortgage	44	659	136.3	68.3
Total domestic	264	946	0.9	3.7
Foreign				
Commercial and industrial				
Automobile	16	18	0.2	0.2
Mortgage	3		3.9	
Other	69	41	19.0	5.9
Commercial real estate				
Automobile	2		1.0	
Mortgage	48	12	38.7	5.9
Total foreign	138	71	1.5	0.7
Total commercial finance receivables and loans	$ 402	$ 1,017	1.1	2.8

(a) Amounts include the resort finance portfolio with net charge-offs of $148 million and $61 million and net charge-off ratios of 29.0% and 7.1% for the years ended December 31, 2010 and 2009, respectively. We sold our resort finance portfolio during the third quarter of 2010.

Our net charge-offs of total commercial finance receivables and loans totaled $402 million for the year ended December 31, 2010, compared to $1.0 billion in 2009. The overall decrease in net charge-offs was largely due to the resolution and workout of certain domestic and foreign commercial real estate assets. Increased net charge-offs within our commercial and industrial portfolios were driven by the domestic resort finance and U.K. commercial finance lending portfolios.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers and related real estate firms. Commercial real estate finance receivables and loans remained flat at $2.4 billion at June 30, 2011, and December 31, 2010.

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

	June 30, 2011	December 31, 2010	December 31, 2009
Geographic region			
Texas	12.7%	10.5%	11.2%
Florida	10.4	10.3	11.8
Michigan	10.2	10.1	8.5
California	9.4	9.6	9.8
Virginia	4.4	4.4	3.9
New York	3.7	3.8	3.7
Pennsylvania	3.5	3.7	3.4
Oregon	3.5	3.1	2.1
Georgia	2.5	2.7	2.1
Alabama	2.5	2.4	2.1
Other United States	26.7	26.9	26.2
Canada	4.8	4.4	4.3
United Kingdom	3.4	5.0	7.3
Mexico	1.8	2.4	2.5
Other foreign	0.5	0.7	1.1
Total commercial real estate finance receivables and loans	100.0%	100.0%	100.0%
Property type			
Automobile dealers	98.3%	91.8%	84.3%
Residential	1.3	2.5	2.7
Land and land development	0.4	0.8	5.7
Apartments		0.1	2.9
Other		4.8	4.4
Total commercial real estate finance receivables and loans	100.0%	100.0%	100.0%

Commercial Criticized Exposure

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

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

	June 30, 2011	December 31, 2010	December 31, 2009
Industry			
Automotive	78.6%	66.5%	49.7%
Real estate (a)	8.6	12.1	23.4
Health/medical	2.8	7.3	7.9
Manufacturing	1.8	3.5	3.1
Hardgoods	1.7	1.8	1.1

Services	1.4	1.9	2.1
Retail	1.1	1.5	2.6
Electronics	0.9	1.2	1.6
All other	3.1	4.2	8.5
Total commercial criticized finance receivables and loans	100.0%	100.0%	100.0%

(a) Includes resort finance, which represented 17.3% of the portfolio at December 31, 2009.

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Total criticized exposures were $3.6 billion at both June 30, 2011, and December 31, 2010, as automotive criticized exposure increased due to risk rating process enhancements was offset by health/medical (within All other) and real estate improvements.

Total criticized exposure decreased $1.3 billion to $3.6 billion from December 31, 2009 to December 31, 2010, primarily due to the sale of the resort finance portfolio, improvement in dealer credit quality, and continued mortgage asset dispositions. The increase in our automotive criticized concentration rate was due to the significant decrease in the overall criticized amounts outstanding at December 31, 2010, compared to December 31, 2009.

Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. The table does not include the impact of derivative instruments utilized to hedge certain loans. This portfolio is reported at carrying value before allowance for loan losses.

	December 31, 2010 ($ in millions)			
	Within 1 year	1-5 years	After 5 years	Total (a)
Commercial and industrial	$ 26,401	$ 1,764	$ 114	$ 28,279
Commercial real estate	227	1,666	179	2,072
Total domestic	26,628	3,430	293	30,351
Foreign	8,522	515	8	9,045
Total commercial finance receivables and loans	$ 35,150	$ 3,945	$ 301	$ 39,396
Loans at fixed interest rates		$ 1,277	$ 220	
Loans at variable interest rates		2,668	81	
Total commercial finance receivables and loans		$ 3,945	$ 301	

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

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Allowance for Loan Losses

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

($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Balance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(234)	(108)	(342)	(18)	(360)
Foreign	(75)	(2)	(77)	(48)	(125)
Total charge-offs	(309)	(110)	(419)	(66)	(485)
Recoveries					
Domestic	101	9	110	12	122
Foreign	36		36	17	53
Total recoveries	137	9	146	29	175
Net charge-offs	(172)	(101)	(273)	(37)	(310)
Provision for loan losses	104	79	183	(19)	164
Other	9		9	3	12
Balance at June 30, 2011	$ 911	$ 558	$ 1,469	$ 270	$ 1,739
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2011 (a)	1.6%	5.4%	2.1%	0.7%	1.6%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2011 (a)	0.6%	1.9%	0.8%	0.2%	0.6%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2011 (a)	496.4%	140.1%	252.6%	44.4%	146.0%
Ratio of allowance for loans losses to net charge-offs at June 30, 2011	2.7	2.8	2.7	3.6	2.8

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

($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Balance at January 1, 2010	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222		222		222
Charge-offs					
Domestic	(437)	(109)	(546)	(152)	(698)
Foreign	(109)	(2)	(111)	(53)	(164)
Total charge-offs	(546)	(111)	(657)	(205)	(862)
Recoveries					
Domestic	177	8	185	9	194
Foreign	35	1	36	9	45
Total recoveries	212	9	221	18	239

Net charge-offs	(334)	(102)	(436)	(187)	(623)
Provision for loan losses	225	115	340	22	362
Discontinued operations	5		5	(3)	2
Other	(22)	6	(16)	(15)	(31)
Balance at June 30, 2010	$ 1,120	$ 659	$ 1,779	$ 598	$ 2,377
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2010 (b)	2.7%	5.8%	3.4%	1.6%	2.6%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2010 (b)	1.7%	1.8%	1.7%	1.0%	1.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2010 (b)	543.0%	105.5%	213.9%	40.9%	103.6%
Ratio of allowance for loans losses to net charge-offs at June 30, 2010	1.7	3.2	2.0	1.6	1.9

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

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

The allowance for consumer loan losses at June 30, 2011, declined $310 million compared to June 30, 2010, reflecting the continued improved asset mix with higher quality recent vintages, the runoff of Nuvell and other liquidating portfolios, as well as improved loss performance.

The allowance for commercial loan losses declined $328 million at June 30, 2011, compared to June 30, 2010, primarily related to the sale of the resort finance portfolio and improved portfolio credit quality.

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

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

(a) Includes adjustment to the allowance due to adoption of ASU 2009-17. Refer to Note 1 to the Consolidated Financial Statements for additional information.

(b) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.

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

($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2009	$ 1,394	$ 1,142	$ 2,536	$ 897	$ 3,433
Charge-offs					
Domestic	(1,001)	(1,424)	(2,425)	(955)	(3,380)
Foreign	(372)	(185)	(557)	(76)	(633)
Write-downs related to transfers to held-for-sale	(11)	(3,417)	(3,428)	(10)	(3,438)
Total charge-offs	(1,384)	(5,026)	(6,410)	(1,041)	(7,451)
Recoveries					
Domestic	189	68	257	19	276
Foreign	71		71	5	76
Total recoveries	260	68	328	24	352
Net charge-offs	(1,124)	(4,958)	(6,082)	(1,017)	(7,099)
Provision for loan losses	755	3,951	4,706	898	5,604
Discontinued operations	13	556	569	(3)	566
Other	(14)	(51)	(65)	6	(59)
Allowance at December 31, 2009	$ 1,024	$ 640	$ 1,664	$ 781	$ 2,445
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2009 (a)	3.4%	5.7%	4.0%	2.2%	3.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2009 (a)	3.3%	23.9%	11.2%	2.8%	7.9%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2009 (a)	265.2%	148.7%	203.8%	41.5%	90.6%
Ratio of allowance for loans losses to net charge-offs at December 31, 2009	0.9	0.1	0.3	0.8	0.3

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

The allowance for consumer loan losses was $1.6 billion at December 31, 2010, compared to $1.7 billion at December 31, 2009. The decline reflected the improved asset mix resulting from the strategic actions taken in late 2009 related to legacy mortgage loans and the continued runoff of Nuvell and other liquidating portfolios. Partially offsetting this decline was an increase in the allowance due to increased loans outstanding in the nonliquidating automobile portfolio.

The allowance for commercial loan losses was $323 million at December 31, 2010, compared to $781 million at December 31, 2009. The decline was primarily related to the sale of the resort finance portfolio, runoff in our commercial real estate portfolio, and improved portfolio credit quality due to improved dealer performance, strategic dealer exits, and the wind-down of operations in several nonstrategic countries.

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Allowance for Loan Losses by Type

The following tables summarize the allocation of the allowance for loan losses by product type.

	June 30,					
	2011			2010		
($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 723	1.7	41.6	$ 910	3.4	38.3
Consumer mortgage						
1st Mortgage	295	4.3	17.0	403	5.6	17.0
Home equity	261	8.0	15.0	255	6.9	10.7
Total domestic	1,279	2.5	73.6	1,568	4.2	66.0
Foreign						
Consumer automobile	188	1.1	10.8	210	1.4	8.8
Consumer mortgage						
1st Mortgage	2	0.6	0.1	1	0.3	
Home equity						
Total foreign	190	1.1	10.9	211	1.3	8.8
Total consumer loans	1,469	2.1	84.5	1,779	3.4	74.8
Commercial						
Domestic						
Commercial and industrial						
Automobile	78	0.3	4.5	79	0.4	3.3
Mortgage	1			3	0.2	0.1
Other	68	4.8	3.9	282	11.7	11.9
Commercial real estate						
Automobile	44	2.1	2.6	56	2.7	2.4
Mortgage				4	75.0	0.2
Total domestic	191	0.6	11.0	424	1.5	17.9
Foreign						
Commercial and industrial						
Automobile	68	0.7	3.9	42	0.5	1.7
Mortgage	6	19.8	0.3	21	27.9	0.9
Other	1	0.6	0.1	67	16.6	2.8
Commercial real estate						
Automobile	2	0.8	0.1	2	1.2	0.1
Mortgage	2	5.5	0.1	42	35.4	1.8
Total foreign	79	0.8	4.5	174	1.9	7.3

Total commercial loans	270	0.7	15.5	598	1.6	25.2
Total allowance for loan losses	$ 1,739	1.6	100.0	$ 2,377	2.6	100.0

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	December 31, 2010			2009		
($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	$ 769	2.2%	41.0%	$ 772	6.2%	31.6%
Consumer mortgage						
1st Mortgage	322	4.7	17.2	387	5.6	15.8
Home equity	256	7.5	13.7	251	6.5	10.3
Total domestic	1,347	3.0	71.9	1,410	6.0	57.7
Foreign						
Consumer automobile	201	1.2	10.7	252	1.4	10.2
Consumer mortgage						
1st Mortgage	2	0.4	0.1	2	0.5	0.1
Home equity						
Total foreign	203	1.2	10.8	254	1.4	10.3
Total consumer loans	1,550	2.5	82.7	1,664	4.0	68.0
Commercial						
Domestic						
Commercial and industrial						
Automobile	73	0.3	3.9	157	0.8	6.4
Mortgage				10	0.6	0.4
Other	97	5.4	5.2	322	12.0	13.2
Commercial real estate						
Automobile	54	2.6	2.9			
Mortgage				54	44.6	2.2
Total domestic	224	0.7	12.0	543	2.1	22.2
Foreign						
Commercial and industrial						
Automobile	33	0.4	1.7	54	0.7	2.2
Mortgage	12	30.5	0.7	20	21.0	0.8
Other	39	12.6	2.1	111	25.5	4.6
Commercial real estate						
Automobile	2	0.9	0.1			
Mortgage	13	16.9	0.7	53	32.5	2.2
Total foreign	99	1.1	5.3	238	2.7	9.8
Total commercial loans	323	0.8	17.3	781	2.2	32.0
Total allowance for loan losses	$ 1,873	1.8%	100.0%	$ 2,445	3.2%	100.0%

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Provision for Loan Losses

The following tables summarize the provision for loan losses by product type.

	Six months ended June 30, 2011	2010
	($ in millions)	
Consumer		
Domestic		
Consumer automobile	$ 86	$ 175
Consumer mortgage		
1st Mortgage	34	72
Home equity	42	41
Total domestic	162	288
Foreign		
Consumer automobile	18	50
Consumer mortgage		
1st Mortgage	3	2
Home equity		
Total foreign	21	52
Total consumer loans	183	340
Commercial		
Domestic		
Commercial and industrial		
Automobile	11	13
Mortgage	1	(9)
Other	(31)	31
Commercial real estate		
Automobile	(7)	
Mortgage		(9)
Total domestic	(26)	26
Foreign		
Commercial and industrial		
Automobile	37	(2)
Mortgage	(1)	2
Other	(35)	(4)
Commercial real estate		
Automobile		
Mortgage	6	
Total foreign	7	(4)
Total commercial loans	(19)	22
Total provision for loans losses	$ 164	$ 362

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	Year ended December 31, 2010	2009
	($ in millions)	
Consumer		
Domestic		
Consumer automobile	$ 228	$ 493
Consumer mortgage		
1st Mortgage	72	2,360
Home equity	90	1,588
Total domestic	390	4,441
Foreign		
Consumer automobile	76	262
Consumer mortgage		
1st Mortgage	2	3
Home equity		
Total foreign	78	265
Total consumer loans	468	4,706
Commercial		
Domestic		
Commercial and industrial		
Automobile	2	54
Mortgage	(13)	36
Other (a)	(47)	348
Commercial real estate		
Automobile	34	
Mortgage	(10)	255
Total domestic	(34)	693
Foreign		
Commercial and industrial		
Automobile	(2)	32
Mortgage	(5)	17
Other	5	142
Commercial real estate		
Automobile	2	
Mortgage	8	14
Total foreign	8	205
Total commercial loans	(26)	898
Total provision for loan losses	$ 442	$ 5,604

(a) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.

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Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk.

Used vehicle market We are at risk due to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices most heavily influence used vehicle prices.

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

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

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

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

The following table summarizes the volume of serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24, 36, and 48 month scheduled lease terminations for those same periods at auction. The mix of terminated vehicles in 2010 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

	Year ended December 31,		
	2010	**2009**	**2008**
Off-lease vehicles remarketed (in units)	376,203	369,981	425,567
Sales proceeds on scheduled lease terminations ($ per unit)			
24-month	$ 28,008	$ 25,192	$ 21,866
36-month	19,226	17,327	13,828
48-month	14,722	12,384	10,641

Proceeds in 2009 and 2010 increased as market conditions for used vehicles improved. The improvement in proceeds was driven partly by lower used vehicle supply and increased consumer demand for used vehicles as the weakened U.S. economy drove consumer preference for used vehicles over higher cost new vehicles.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets,

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restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

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

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

	Banks	Public	Other	Net local country assets ($ in millions)	Derivatives	Total cross-border outstandings
2010						
Canada	$ 343	$ 361	$ 349	$ 4,678	$ 19	$ 5,750
Germany	587	40	111	3,485	76	4,299
United Kingdom	627	9	37	1,133	83	1,889
2009						
Germany	$ 281	$ 66	$ 1,459	$ 3,057	$ 304	$ 5,167
United Kingdom	123	285	307	4,226	74	5,015
Canada	581	42	71	2,755	187	3,636

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities 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 23 to the Consolidated Financial Statements for further information.

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

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Fair Value Sensitivity Analysis

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

	December 31,			
	2010		2009	
	Nontrading	Trading (a)	Nontrading	Trading (a)
	($ in millions)			
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(b)	$ 240	(b)	$ 739
Effect of 10% adverse change in rates	(b)	(1)	(b)	(18)
Foreign-currency exchange rates				
Estimated fair value	$ 7,079	$ 94	$ 6,432	$ 111
Effect of 10% adverse change in rates	(708)	(9)	(643)	(11)
Equity prices				
Estimated fair value	$ 796	$	$ 675	$
Effect of 10% decrease in prices	(80)		(68)	

(a) Includes our trading securities. Refer to Note 6 to the Consolidated Financial Statements for additional information on our trading portfolio.

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

The fair value of our foreign-currency exchange-rate sensitive financial instruments increased during the year ended December 31, 2010, compared to the same period in 2009, due to declines in our foreign denominated debt. This decline consequently drove the increase in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity price sensitive financial instruments was driven by a change in mix within our investment portfolio. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis to measure and manage the interest rate sensitivities of our nontrading financial instruments rather than the fair value approach. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. Simulations are used to estimate the impact on our net interest income in numerous interest rate scenarios. These simulations measure how the interest rate scenarios will impact net interest income on the financial instruments on the balance sheet including debt securities, loans, deposits, debt, and derivative instruments. The simulations incorporate assumptions about future balance sheet changes including loan and deposit pricing, changes in funding mix, and asset/liability repricing, prepayments, and contractual maturities.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The

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net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

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

	Year ended December 31, 2010	2009
	($ in millions)	
Parallel rate shifts		
- 100 basis points	$ 54	$ 15
+100 basis points	(99)	(129)
+200 basis points	(28)	(137)

Our net interest income was liability sensitive to a parallel move in interest rates at both years ended 2010 and 2009. The change in net interest income sensitivity from December 31, 2009, was due to the change in the level of forward short-term interest rates and the resultant impact on certain interest rate floors on commercial finance receivables and loans. Additionally, we reduced our net receive fixed interest rate swaps hedging the debt portfolio as part of our normal ALM activities, which contributed to the change.

Operational Risk

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

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

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

Liquidity Management, Funding, and Regulatory Capital

Overview

Liquidity management involves forecasting funding requirements driven by asset growth and liability maturities. The goal of liquidity management is to ensure we maintain adequate funds to meet changes in loan and lease demand, debt maturities, unexpected deposit withdrawals, and other seen and unforeseen corporate needs. Our primary funding objective is to ensure we maintain access to stable and diverse liquidity sources throughout all market cycles including periods of financial distress. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across maturities, interest rate characteristics, currencies, and investor profiles. Further liquidity is available through committed borrowing facilities as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

Liquidity risk arises from the failure to recognize or address changes in market conditions affecting both asset and liability flows. Effective liquidity risk management is critical to the viability of financial institutions to ensure an institution has the ability to meet contractual and contingent financial obligations. The ability to manage liquidity needs and contingent funding exposures has been essential to the solvency of financial institutions.

ALCO, the Asset-Liability Committee, is responsible for monitoring Ally s liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. ALCO delegates the planning and execution of liquidity management strategies to Corporate Treasury. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each reporting segment, along with Ally Bank and ResMor Trust, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline projected economic scenarios as well as more severe economically stressed environments. Corporate Treasury, in turn, plans and executes our funding strategies.

In addition, we have established internal management committees to assist senior leadership in monitoring and managing our liquidity positions and funding plans. The Liquidity Risk Council is responsible for monitoring liquidity risk tolerance while maintaining adequate liquidity and analyzing liquidity risk measurement standards, liquidity position and investment alternatives, funding plans, forecasted liquidity needs and related risks and opportunities, liquidity buffers, stress testing, and contingency funding. The Structured Funding Risk Council is responsible for assisting senior leadership in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, highly liquid unencumbered securities and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities, including Ally Bank and Ally Financial Inc., the parent company, and consider regulatory and tax restrictions that may limit our ability to transfer funds across entities. At June 30, 2011 and December 31, 2010, we maintained $24.7 billion and $23.8 billion of total available parent company liquidity and $12.2 billion and $7.5 billion of total available liquidity at Ally Bank, respectively. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At June 30, 2011 and December 31, 2010, $2.3 billion and $3.7 billion, respectively, was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company at any time, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above figures. For this purpose, parent company includes our consolidated operations less our Insurance operations, ResCap, and Ally Bank.

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets. We continue to be extremely focused on maintaining and enhancing our liquidity. Our funding strategy primarily focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs and to ensure an appropriate maturity profile. These funding sources include unsecured debt capital markets, asset-backed securitizations, whole-loan sales, domestic and international committed and uncommitted bank lines, brokered certificates of deposits, and retail deposits. We also supplement these sources with short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. Creating funding from a wide range of sources across geographic locations strengthens our liquidity position and limits dependence on any single source. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between bank funding and holding company or nonbank funding.

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In addition, the FDIC has indicated that it expects us to diversify Ally Bank s overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying Ally Bank s funding base by expanding its securitization programs, both public and through private committed credit facilities, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise. As a result of the conversion of $5.5 billion of Ally Mandatorily Convertible Preferred (MCP) stock held by Treasury into common stock on December 30, 2010, and consequent reduction of the equity interests held by General Motors and the GM Trust, the Federal Reserve has determined that GM will no longer be considered an affiliate of Ally Bank for purposes of Sections 23A and 23B of the Federal Reserve Act, which imposes limitations on transactions between banks and their affiliates. Transactions between Ally Bank and GM will continue to be subject to regulation and examination by the bank s primary federal regulator, the Federal Deposit Insurance Corporation.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. Ally Bank provides our automotive finance and mortgage loan operations with a stable and low cost funding source. Ally Bank funded 52% and 64% of our U.S. retail automotive loans during the six months ended June 30, 2011 and December 31, 2010, respectively. At June 30, 2011 and December 31, 2010, we had $36.9 billion and $33.9 billion of deposits including $24.6 billion and $21.8 billion of retail deposits sourced by Ally Bank, respectively. The growth of our retail deposit base from $7.2 billion at the end of 2008 to $24.6 billion at June 30, 2011 enabled us to reduce our cost of funds during that period. We expect to continue to lower our cost of funds as our deposit base grows.

At June 30, 2011, Ally Bank maintained cash liquidity of $3.6 billion and highly liquid U.S. federal government and U.S. agency securities of $5.8 billion, excluding certain securities that were encumbered at June 30, 2011. In addition, at June 30, 2011, Ally Bank had unused capacity in committed secured funding facilities of $5.1 billion, including an equal allocation of shared unused capacity of $4.0 billion from a facility also available to the parent company. At December 31, 2010, Ally Bank maintained cash liquidity of $3.1 billion and highly liquid U.S. federal government and U.S. agency securities of $4.4 billion, excluding certain securities that were encumbered at December 31, 2010. In addition, at December 31, 2010, Ally Bank had unused capacity in committed secured funding facilities of $3.8 billion, including an equal allocation of the unused capacity from a $4.1 billion shared facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding is the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Growth in retail deposits is key to further reducing our cost of funds and decreasing our reliance on the capital markets and other sources of funding. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, and money market accounts, as well as an online checking product. In addition, we have brokered deposits, which are obtained through third-party intermediaries. In the first six months of 2011, the deposit base at Ally Bank grew $3.0 billion, ending the quarter at $36.9 billion from $33.9 billion at December 31, 2010.

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At June 30, 2011, deposit liabilities constituted 30% of our total funding, as compared to 14% as of December 31, 2008. The growth in deposits was primarily attributable to our retail deposit portfolio. Strong retention rates materially contributed to our growth in retail deposits. In the first six months of 2011, we retained 88% of CD balances up for renewal during the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, the Federal Reserve s Discount Window, public securitizations and private funding arrangements. At June 30, 2011 and December 31, 2010, debt outstanding from the FHLB totaled $4.5 billion and $5.3 billion, respectively, with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term and often occur overnight. Funding from repurchase agreements was accounted for as debt on our Consolidated Balance Sheet. At June 30, 2011, December 31, 2010 and 2009, Ally Bank had no debt outstanding under repurchase agreements.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. In the first six months of 2011, Ally Bank completed seven transactions and raised $5.9 billion of secured funding backed by retail and dealer floorplan automotive loans, as well as consumer leases. While deposits provide for a more stable funding base, our efficiencies in securitizations and improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. For retail automotive loans and leases, the primary reason why securitizations are an attractive funding source is that the term structure locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automotive loans are selected and placed into a securitization, the underlying assets will have no bearing on any incremental liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities. At June 30, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company.

Refer to Note 15 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank s number of accounts and deposit balances by type as of the end of each quarter since 2009.

	2nd Quarter 2011	1st Quarter 2011	4th Quarter 2010	3rd Quarter 2010	2nd Quarter 2010	1st Quarter 2010	4th Quarter 2009	3rd Quarter 2009	2nd Quarter 2009	1st Quarter 2009
						($ in millions)				
Number of accounts	851,991	798,622	726,104	676,419	616,665	573,388	535,301	506,313	461,229	362,776
Deposits										
Retail	$ 24,562	$ 23,469	$ 21,817	$ 20,504	$ 18,690	$ 17,672	$ 16,926	$ 15,901	$ 14,464	$ 11,026
Brokered	9,903	9,836	9,992	9,978	9,858	9,757	10,149	9,151	8,141	9,072
Other (1)	2,405	2,064	2,108	2,538	2,267	1,914	1,767	2,331	2,194	1,950
Total deposits	$ 36,870	$ 35,369	$ 33,917	$ 33,020	$ 30,815	$ 29,343	$ 28,842	$ 27,383	$ 24,799	$ 22,048

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

Nonbank Funding

At June 30, 2011, the parent company maintained cash liquidity of $9.5 billion and unused capacity in committed credit facilities of $12.0 billion, including an equal allocation of shared unused capacity of $4.0 billion from a facility also available to Ally Bank. At December 31, 2010, the parent company maintained cash liquidity in the amount of $6.7 billion and unused capacity in committed credit facilities of $11.1 billion, including an equal allocation of the unused capacity from a $4.1 billion shared facility also available to Ally Bank. Our ability to access unused capacity in secured facilities depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. As we shift our focus to growing bank funding capabilities in line with increasing asset originations at Ally Bank, we are similarly focused on minimizing uses of our parent company liquidity and reducing the amount of assets funded outside the bank. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

We continue to access the unsecured debt markets to further strengthen the parent company liquidity position. During the first six months of 2011, we completed a total of $3.75 billion in funding through the debt capital markets. In addition to funding in the debt capital markets, we have offered short-term and long-term unsecured debt through a retail debt program known as SmartNotes. SmartNotes are floating-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $9.6 billion and $9.8 billion and $10.9 billion of SmartNotes outstanding at June 30, 2011, and December 31, 2010 and 2009, respectively.

During 2010, we completed transactions in the unsecured debt markets to further strengthen the parent company liquidity position. We raised over $8.0 billion in the unsecured bond markets including a $1.0 billion issuance in the fourth quarter. Of the $8.0 billion issued this year, $3.7 billion had a term of 10 years while the remaining amount had a term of 5 or 7 years.

We also obtain short-term unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $2.4 billion at June 30, 2011, $2.0 billion at December 31, 2010, and $1.3 billion at December 31, 2009. Unsecured short-term bank loans also provide short term funding. At June 30, 2011, we had $4.3 billion in short-term unsecured debt outstanding, an increase of $0.1 billion from December 31, 2010. At December 31, 2010, we had $4.2 billion in short-term unsecured debt outstanding, an increase of $1.0 billion from December 31, 2009. Refer to Note 14 and Note 15 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding is also a significant source of financing at the parent company. In the United States, we completed a private securitization transaction and a whole loan sale that raised a total of $4.4 billion of funding in the second quarter. Internationally, we still remain active in both the public and private securitization markets. In the second quarter, we completed our second Canadian public term securitization transaction for the year backed by retail automotive loans that resulted in $541 million of funding. We also 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 June 30, 2011, there was a total of $22.3 billion of committed capacity available exclusively for the parent company in various facilities around the globe.

Recent Funding Developments

In summary, during the first six months of 2011, we completed funding transactions totaling over $19 billion, and we renewed key existing funding facilities as we realized ready access to both the public and private markets. Key funding highlights from the six months of 2011 were as follows:

- We issued $3.8 billion of public term unsecured debt.

- We raised $10.9 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions and sold $1.3 billion of U.S. retail automotive loans on a whole loan basis.

- We created $3.4 billion of new funding capacity from the completion of new facilities and increases to existing facilities.

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We renewed approximately $18.8 billion of key funding facilities that fund our Automotive Finance and Mortgage operations.

In March, we completed a key first step in our plan to repay the U.S. taxpayer. The U.S. Department of Treasury (Treasury) was repaid $2.7 billion from the sale of all the Trust Preferred Securities that Treasury held with Ally. This represented the full value of Treasury s investment in these securities. Ally did not receive any proceeds from the offering of the Trust Preferred Securities.

In summary, during 2010, we completed funding transactions totaling almost $36 billion and we renewed key existing funding facilities as we realized ready access to both the public and private markets. Key funding highlights from 2010 are as follows:

We issued over $8.0 billion of unsecured debt, which included issuances in both the U.S. and European markets. Of the $8.0 billion issued in 2010, $3.7 billion had a term of 10 years while the remaining amount had a term of 5 or 7 years. In the fourth quarter of 2010, we issued $1.0 billion of unsecured long-term debt with a maturity of 7 years. In 2011, we raised an additional $2.25 billion of unsecured debt with a tenor of three years.

We raised over $15 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions. In the United States, we completed Ally Bank-sponsored transactions totaling $8.1 billion, of which $2.0 billion was completed in the fourth quarter. We also completed $674 million of issuance supported by mortgage servicer advances and mortgage loans. Outside the United States, we issued $6.2 billion through public and private automotive securitization transactions.

We created more than $12 billion of new committed credit capacity including $8.3 billion solely dedicated to fund automotive assets at Ally Bank and new mortgage facilities in the United States that provide committed credit capacity of $725 million. In the fourth quarter, we entered into new committed secured auto facilities in Canada and Brazil that provide total capacity of $1.4 billion.

We renewed over $8 billion of key private funding facilities at our Automotive Finance operations and Mortgage operations.

As a result of the conversion of $5.5 billion of Ally Mandatorily Convertible Preferred (MCP) stock held by Treasury into common stock on December 30, 2010, the dividend payments payable to our preferred shareholders will be reduced by approximately $500 million annually. This is expected to improve long-term profitability with a lower cost of funds and enhances capital preservation.

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Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2011 from 2010 levels. In addition, deposits represent a larger portion of the overall funding mix.

($ in millions)	**Bank**	**Nonbank**	**Total**	**%**
June 30, 2011				
Secured financings	$ 23,882	$ 24,239	$ 48,121	34
Institutional term debt		26,153	26,153	19
Retail debt programs (a)		14,442	14,442	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	5
Bank loans and other	1	2,293	2,294	2
Total debt (b)	23,883	74,527	98,410	70
Deposits (c)	36,870	5,392	42,262	30
Total on-balance sheet funding	$ 60,753	$ 79,919	$ 140,672	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 65,682	$ 65,682	
Total off-balance sheet securitizations	$	$ 65,682	$ 65,682	
December 31, 2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	10
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (b)	20,200	73,473	93,673	71
Deposits (c)	33,917	5,131	39,048	29
Total on-balance sheet funding	$ 54,117	$ 78,604	$ 132,721	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	
Total off-balance sheet securitizations	$	$ 69,356	$ 69,356	

(a) Primarily includes $9,564 million and $9,784 million of Ally SmartNotes at June 30, 2011, and December 31, 2010, respectively.

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

(c) Bank deposits include retail, brokered and mortgage escrow and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 15 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2011.

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As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2010 from 2009 levels. In addition, deposits represent a larger portion of the overall funding mix.

	Bank	Nonbank	Total	%
		($ in millions)		
December 31, 2010				
Secured financings	$ 20,199	$ 22,193	$ 42,392	32
Institutional term debt		27,257	27,257	21
Retail debt programs (a)		14,249	14,249	11
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	1	2,374	2,375	2
Total debt (b)	20,200	73,473	93,673	72
Bank deposits (c)	31,847	5,131	36,978	28
Total on-balance sheet funding	$ 52,047	$ 78,604	$ 130,651	100
Off-balance sheet securitizations				
Mortgage loans	$	$ 69,356	$ 69,356	
Total off-balance sheet securitizations	$	$ 69,356	$ 69,356	
2009				
Secured financings	$ 11,777	$ 36,982	$ 48,759	38
Institutional term debt		24,809	24,809	19
Retail debt programs (a)	8	14,614	14,622	12
Temporary Liquidity Guarantee Program (TLGP)		7,400	7,400	6
Bank loans and other	59	2,135	2,194	2
Total debt (b)	11,844	85,940	97,784	77
Bank deposits (c)	27,078	2,928	30,006	23
Total on-balance sheet funding	$ 38,922	$ 88,868	$ 127,790	100
Off-balance sheet securitizations				
Retail finance receivables	$	$ 6,654	$ 6,654	
Mortgage loans		99,123	99,123	
Total off-balance sheet securitizations	$	$ 105,777	$ 105,777	

(a) Primarily includes $9,784 million and $10,878 million of Ally SmartNotes at December 31, 2010 and 2009, respectively.

(b) Excludes fair value adjustment as described in Note 27 to the Consolidated Financial Statements.

(c) Bank deposits include deposits at Ally Bank, excluding mortgage escrow and intercompany deposits. Nonbank deposits include deposits at ResMor Trust and dealer wholesale deposits.

Refer to Note 17 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2010.

Funding Facilities

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

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As of June 30, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB complement Ally Bank s private committed facilities.

In 2010, Ally Bank entered into its first committed credit facilities. These facilities are secured by automotive receivables and have given Ally Bank exclusive access to $8.3 billion of funding capacity. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB complement Ally Bank s private committed facilities. Growth in total capacity at Ally Bank has been offset by reductions in the parent company s committed capacity, which is consistent with our asset origination strategy. The reduction in committed capacity for the parent company has been coupled with a reduction in debt outstanding under the facilities, such that the unused capacity and related funding available solely to the parent company increased marginally year-over-year to $9.1 billion.

The total capacity in our committed funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At June 30, 2011, $31.3 billion of our $37.5 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2011, we had $12.3 billion of committed funding capacity with a remaining tenor greater than 364 days.

Committed Funding Facilities

($ in billions)	Outstanding Jun. 30, 2011	Outstanding Dec. 31, 2010	Unused capacity (a) Jun. 30, 2011	Unused capacity (a) Dec. 31, 2010	Total capacity Jun. 30, 2011	Total capacity Dec. 31, 2010
Bank funding						
Secured	$ 6.4	$ 6.4	$ 3.1	$ 1.9	$ 9.5	$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	0.3	0.8	0.5		0.8	0.8
Secured						
Automotive Finance operations and other	12.0	8.3	9.5	9.1	21.5	17.4
Mortgage operations	1.0	1.0	0.6	0.6	1.6	1.6
Total nonbank funding	13.3	10.1	10.6	9.7	23.9	19.8
Shared capacity (b)	0.1	0.2	4.0	3.9	4.1	4.1
Total committed facilities	$ 19.8	$ 16.7	$ 17.7	$ 15.5	$ 37.5	$ 32.2

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
(b) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

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	Outstanding		Unused capacity (a) December 31,		Total capacity	
	2010	2009	2010	2009	2010	2009
			($ in billions)			
Bank funding						
Secured	$ 6.4	$	$ 1.9	$	$ 8.3	$
Nonbank funding						
Unsecured						
Automotive Finance operations	0.8	0.7		0.1	0.8	0.8
Secured						
Automotive Finance operations and other	8.3	23.0	9.1	9.0	17.4	32.0
Mortgage operations	1.0	1.7	0.6	0.4	1.6	2.1
Total nonbank funding	10.1	25.4	9.7	9.5	19.8	34.9
Shared capacity (b)	0.2	0.8	3.9	3.2	4.1	4.0
Total committed facilities	16.7	26.2	15.5	12.7	32.2	38.9
Whole-loan forward flow agreements (c)				9.4		9.4
Total	$ 16.7	$ 26.2	$ 15.5	$ 22.1	$ 32.2	$ 48.3

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

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

(c) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

Uncommitted Funding Facilities

	Outstanding		Unused capacity		Total capacity	
	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010	Jun. 30, 2011	Dec. 31, 2010
			($ in billions)			
Bank funding						
Secured						
Federal Reserve funding programs	$	$	$ 3.9	$ 4.0	$ 3.9	$ 4.0
FHLB advances	4.5	5.3	1.4	0.2	5.9	5.5
Total bank funding	4.5	5.3	5.3	4.2	9.8	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	1.7	1.4	0.6	0.6	2.3	2.0
Secured						
Automotive Finance operations	0.1	0.1	0.1		0.2	0.1
Mortgage operations			0.1	0.1	0.1	0.1

Total nonbank funding	1.8	1.5	0.8	0.7	2.6	2.2
Total uncommitted facilities	$ 6.3	$ 6.8	$ 6.1	$ 4.9	$ 12.4	$ 11.7

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	Outstanding		Unused capacity		Total capacity	
	December 31,					
	2010	2009	2010	2009	2010	2009
	($ in billions)					
Bank funding						
Secured						
Federal Reserve funding programs	$	$ 5.0	$ 4.0	$ 2.8	$ 4.0	$ 7.8
FHLB advances	5.3	5.1	0.2	0.8	5.5	5.9
Total bank funding	5.3	10.1	4.2	3.6	9.5	13.7
Nonbank funding						
Unsecured						
Automotive Finance operations	1.4	0.8	0.6	0.1	2.0	0.9
Secured						
Automotive Finance operations	0.1	0.3		0.1	0.1	0.4
Mortgage operations			0.1	0.2	0.1	0.2
Total nonbank funding	1.5	1.1	0.7	0.4	2.2	1.5
Total uncommitted facilities	$ 6.8	$ 11.2	$ 4.9	$ 4.0	$ 11.7	$ 15.2

Bank Funding Facilities

Facilities for Automotive Finance Operations Secured

Ally Bank s largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. At June 30, 2011, the amount outstanding under this facility was $4.9 billion. Ally Bank s other committed facilities are also available to fund automotive receivables. In the second quarter of 2011, Ally Bank successfully renewed $1.5 billion of committed credit capacity and extended the revolving period to two years. During the first quarter of 2011, we successfully renewed the $7.5 billion facility as well as a $500 million credit facility. The tenor of half of the $7.5 billion facility was extended to two years, with the other half remaining at a 364-day maturity. In total, Ally Bank maintained committed credit facilities that provide capacity of $9.5 billion at June 30, 2011. 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 June 30, 2011 and December 31, 2010, we maintained $486 million of commitments in our U.S. unsecured revolving credit facility maturing June 2012. We also maintained $281 million and $274 million of committed unsecured bank facilities in Canada and $50 million and $47 million in Europe at June 30, 2011 and December 31, 2010, respectively. 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. This facility was renewed in March 2011 with the tenor for half of the facility extended to two years and with the other half remaining as a 364-day maturity. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2011, there was $768 million outstanding under this facility.

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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 June 30, 2011, the parent company maintained exclusive access to $21.5 billion of committed secured credit facilities 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 June 30, 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 maintained an additional $594 million of committed capacity to fund mortgage loans.

Cash Flows

Net cash provided by operating activities was $4.4 billion for the six months ended June 30, 2011, compared to $11.6 billion for the same period in 2010. During the six months ended June 30, 2011, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $3.3 billion. During the six months ended June 30, 2010, this activity resulted in a net cash inflow of $8.0 billion.

Net cash provided by operating activities was $11.6 billion for the year ended December 31, 2010, compared to net cash used in operating activities of $5.1 billion in 2009. During the year ended December 31, 2010, 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 $6.3 billion. During the year ended December 31, 2009, such activity resulted in cash outflow of $9.6 billion. The favorable increase was primarily due higher levels of automobile loans classified as held-for-investment rather than held for sale at origination during 2010.

Net cash used in investing activities was $6.8 billion for the six months ended June 30, 2011, compared to $808 million for the same period in 2010. Net cash flows from finance receivables and loans decreased $1.5 billion for the six months ended June 30, 2011, compared to the same period in 2010. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $196 million for the six months ended June 30, 2011. These activities resulted in a net cash inflow of $2.9 billion for the six months ended June 30, 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 received from sales and maturities of available-for-sale investment securities, net of purchases, decreased $568 million during the six months ended June 30, 2011, compared to the same period in 2010.

Net cash used in investing activities was $7.6 billion for the year ended December 31, 2010, compared to net cash provided of $17.1 billion in 2009. Net cash flows from finance receivables and loans, including notes receivable from GM, decreased $29.5 billion for the year ended December 31, 2010, compared to 2009. The cash outflow to purchase available-for-sale investment securities, net of proceeds from sales and maturities, totaled $1.7 billion in 2010, compared to a net cash outflow of $6.5 billion in 2009.

Net cash provided by financing activities for the six months ended June 30, 2011, totaled $5.7 billion, compared to net cash used of $12.2 billion in the same period in 2010. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $3.3 billion for the six months ended June 30, 2011. For the comparable period in 2010, cash repayments exceeded proceeds from new issuances of long-term debt by $11.3 billion. Also contributing to the increase in cash inflow was an increase in short-term debt obligations of $3.6 billion for the six months ended June 30, 2011, compared to the same period in 2010.

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Net cash used in financing activities for the year ended December 31, 2010, totaled $8.0 billion, compared to $11.0 billion in 2009. New equity issuances decreased $10.0 billion because no such issuances were made during 2010. Proceeds from issuance of long-term debt increased $8.3 billion during the year ended December 31, 2010, while cash used to repay debt decreased $12.0 billion. Cash provided by deposits was $6.6 billion for the year ended December 31, 2010, compared to $10.7 billion for the year ended December 31, 2009.

Regulatory Capital

Refer to Note 22 to the Notes to Consolidated Financial Statements for a description of our regulatory capital.

Comprehensive Capital Analysis and Review

The Comprehensive Capital Analysis and Review (CCAR) involves the FRB s forward-looking evaluation of the internal capital planning processes of large, complex bank holding companies and their proposals to undertake capital actions in 2011, such as increasing dividend payments or repurchasing or redeeming stock. In November 2010, the FRB issued guidelines to provide a common, conservative approach to ensure that bank holding companies hold adequate capital to maintain ready access to funding, continue operations, and meet their obligations to creditors and counterparties, and continue to serve as credit intermediaries, even under adverse conditions. As a large bank holding company, we submitted a comprehensive capital plan and additional supervisory information to the FRB during the first quarter of 2011 in conjunction with CCAR. At this time, our capital plan is still under review by the FRB.

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	Stable	February 2, 2011(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 upgraded our senior debt rating to BB from B, affirmed the commercial paper rating of B, and changed the outlook to Stable on February 2, 2011.

(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.

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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 10 to the Condensed Consolidated Financial Statements for a description of our off-balance sheet arrangements.

Securitization

As part of our ongoing operations and overall funding and liquidity strategy, we primarily securitize consumer automobile finance retail contracts, wholesale loans, automobile leases, and mortgage loans. 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 and to support the core activities of our Global Automotive Services and Mortgage operations relative to originating and purchasing finance receivables and loans. Termination of our securitization activities would reduce funding sources for both our Global Automotive Services and Mortgage operations, adversely affecting our operating results.

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 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, 2010 and 2009, $72.6 billion and $81.1 billion of our total assets, respectively, were related to secured financings. Refer to Note 17 to the Consolidated Financial Statements for further discussion.

The decrease in the amount of finance receivables and loans carried in off-balance sheet facilities reflects our decreased use of private-label mortgage securitization transactions, the amortization of the existing transactions, and the implementation of ASU 2009-17, which was effective on January 1, 2010, and required us to bring certain of our off balance sheet securitizations onto the balance sheet at that date. See Note 1 to the Consolidated Financial Statements for additional information.

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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 securities, 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 23 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

Loan Repurchases and Obligations Related to Loan Sales

Overview 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 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, investors 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 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 us 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 liability.

***Origination*s** We believe our exposure 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

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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. Our 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 us 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).

	Six months ended June 30, 2011	Year ended December 31, 2010	2009	2008	2007	2006	2005	2004
	($ in billions)							
GSEs								
Fannie Mae	**$ 16.0**	$ 35.3	$ 21.2	$ 24.9	$ 31.6	$ 33.5	$ 31.8	$ 30.5
Freddie Mac	**7.8**	15.7	8.7	12.3	15.5	12.6	16.1	13.7
Ginnie Mae	**3.9**	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	**0.1**	1.6	0.1	2.2	8.2	23.9	17.4	10.9
Total sales	**$ 27.8**	$ 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, we review the claim to determine the appropriate response (e.g. appeal, provide additional information, repurchase the loan, or remit make-whole payment) and take appropriate action. Historically, repurchase demands were related to loans that became delinquent within the first few years following origination and varied by investor. 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. Refer to Note 24 to the Condensed Consolidated Financial Statements for additional information related to pending litigation. 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. We actively contest claims to the extent we do not consider them valid. We are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

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During the six months ended June 30, 2011, we experienced a decrease in new claims compared to 2010, in part due to settlements with key counterparties. However, we experienced an increase in new claims during the three months ended June 30, 2011, which was due to a $180 million repurchase request from a monoline bond insurance company, which is still under review. The following table presents new claims by vintage (original unpaid principal balance). We expect that MBIA and other monolines will make additional claims in the future.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
	($ in millions)			
2004 and prior period	$ 16	$ 11	$ 23	$ 24
2005	14	9	21	26
2006	222	47	237	133
2007	33	96	57	255
2008	45	56	70	164
Post 2008	52	5	105	14
Unspecified			2	
Total claims	$ 382	$ 224	$ 515	$ 616

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. When we do repurchase loans, we 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 24 to the Condensed Consolidated Financial Statements for additional information related to our representation and warranty obligations.

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

	Six months ended June 30,	
	2011	2010
	($ in millions)	
GSEs	$ 100	$ 248
Private-label securitizations		
Insured (monolines)		5
Uninsured	28	
Other	8	48
Total loan repurchases	$ 136	$ 301

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

	Six months ended June 30, 2011	2010
	($ in millions)	
GSEs	$ 28	$ 140
Private-label securitizations		
Insured (monolines)	10	8
Uninsured	123	
Other	12	8
Total indemnification payments	$ 173	$ 156

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.

	June 30, 2011 Number of loans	Dollar amount of loans	December 31, 2010 Number of loans	Dollar amount of loans
		($ in millions)		
GSEs	**544**	**$ 115**	833	$ 170(a)
Monolines	**11,819**	**874**	8,206	661
Other	**448**	**89**	392	88
Total unpaid principal balance	**12,811**	**$ 1,078**	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.

We are currently in litigation with MBIA Insurance Corp. (MBIA) with respect to certain of our private-label securitizations. June 30, 2011 amounts in the table above include unresolved repurchase demands of $437 million of original unpaid principal balance with MBIA, which were received prior to commencement of these proceedings by MBIA. Historically we have requested that most of the repurchase demands presented to us by MBIA be rescinded, consistent with the repurchase process described above. As the litigation progresses, we expect to receive additional repurchase demands from MBIA. We also expect to receive additional repurchase demands from other monolines.

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

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At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of 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 Condensed Consolidated Statement of Income. The repurchase reserve at June 30, 2011, relates primarily to non-GSE exposure.

Government-sponsored Enterprises Between 2004 and 2008, we 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 six months ended June 30, 2011, we received repurchase claims relating to $250 million of original unpaid principal balance of which $146 million are associated with the 2004 through 2008 vintages. The remaining $104 million in repurchase claims relate to post-2008 vintages. During the six months ended June 30, 2011, we resolved claims with respect to $305 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $211 million of original unpaid principal balance, and rescinded claims related to $94 million of original unpaid principal balance. Our representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and our best estimate of future claims we might receive. We consider our experiences with the GSE in evaluating our liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits our remaining exposure to each counterparty.

In March 2010, certain of our mortgage subsidiaries 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 any of our obligations with respect to exposure for private-label mortgage-backed securities 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, we 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. From January 1, 2009 through June 30, 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 $87 million. From April 1, 2010 through June 30, 2011, the amount of losses we have 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 origination, purchase, 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 subsidiaries have received subpoenas from the Federal Housing Finance Agency (the FHFA), which is the conservator of Fannie Mae and Freddie Mac. We continue to discuss the terms and circumstances under which documents would be provided under the subpoenas related to Freddie Mac. The FHFA has indicated that documents provided in response to the subpoenas will enable the FHFA to determine whether they believe issuers of private-label mortgage-backed securities are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future.

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 mortgage-backed securities in which Fannie Mae had previously invested. This agreement does not release any of our obligations 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, we continue to be responsible for other contractual obligations we have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and we 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. From July 1, 2010 through June 30, 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 $61 million. From January 1, 2011 through June 30, 2011, the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $4 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.

	Six months ended June 30,	
	2011	**2010**
	($ in millions)	
Balance at January 1,	**$ 170**	$ 296
New claims	**250**	522
Realized losses (a)	**(211)**	(510)
Rescinded claims/other	**(94)**	(118)
Balance at June 30,	**$ 115**	$ 190

(a) Losses include settlements, repurchases, and indemnification payments.

Monoline Insurers Historically, our Mortgage operations 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

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insurer. For the period 2004 through 2007, we sold $42.7 billion of loans into these monoline wrapped securitizations. During the six months ended June 30, 2011, we received repurchase claims related to $226 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. We have resolved repurchase demands through indemnification payments related to $16 million of original unpaid principal balance.

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

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our monoline exposure.

	Six months ended June 30,	
	2011	**2010**
	($ in millions)	
Balance at January 1,	**$ 661**	$ 553
New claims	**226**	71
Realized losses (a)	**(16)**	(18)
Rescinded claims/other	**3**	(5)
Balance at June 30,	**$ 874**	$ 601

(a) Losses include settlements, repurchases, 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 mortgage-backed securities to investors.

The following table summarizes the original unpaid principal balance of our domestic uninsured private-label 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.

	Original UPB	**Current UPB at June 30, 2011**	**UPB at December 31, 2010**
		($ in billions)	
RFMSI (Prime)	**$ 21.8**	**$ 9.0**	$ 10.0
RALI (Alt-A and Option ARM)	**66.7**	**27.9**	30.7
RAMP (Subprime and other)	**55.9(a)**	**13.7**	15.0
RASC (Subprime)	**36.8**	**8.4**	9.0
RFMSII (HELOC)	**0.9**	**0.3**	0.3
Total	**$ 182.1**	**$ 59.3**	$ 65.0

(a) RAMP consisted of the following product types: subprime ($37.7 billion), prime ($8.8 billion), and other ($9.4 billion).

The following table summarizes the original unpaid principal balance of our domestic monoline insured private-label 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.

	Original UPB	Current UPB at June 30, 2011	UPB at December 31, 2010
		($ in billions)	
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**	**6.7**	7.3
RASC (Subprime)	**3.6**	**0.7**	0.7
RFMSII (HELOC)	**9.5**	**2.3**	2.6
Total	**$ 42.7**	**$ 10.8**	$ 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 investors seeking repurchase. In order to successfully assert a claim, it is our position that an investor 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 are required to coordinate with other investors in that class comprising not less than 25% 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. If, for example, we as servicer became aware of such facts and circumstances, we would typically be required to initiate a repurchase at that time.

Regarding our securitization activities, we have exposure to potential losses primarily through two avenues. First, investors (or monoline insurers in certain transactions) may request pursuant to applicable agreements that we repurchase loans or make the investor whole for losses incurred if it is determined that we violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the counterparty. 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 in various litigation currently pending. 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, we have settled with several whole-loan investors concerning alleged breaches of underwriting standards. For the six months ended June 30, 2011, we have received $38 million of original unpaid principal balance in repurchase claims of which $36 million are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. We resolved claims related to $37 million of original unpaid principal balance, including settlements, repurchases, or indemnification payments related to $13 million of original unpaid principal balance, and rescinded claims related to $24 million of original unpaid principal balance.

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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.

	Six months ended June 30,	
	2011	**2010**
	($ in millions)	
Balance at January 1,	**$ 88**	$ 70
New claims	**38**	24
Realized losses (a)	**(13)**	(18)
Rescinded claims/other	**(24)**	(39)
Balance at June 30,	**$ 89**	$ 37

(a) Losses include settlements, repurchases, 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, we assess the notice and if appropriate we refute the notice, or if we cannot refute we attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, we may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While we make every effort to reinstate the mortgage insurance, we have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At June 30, 2011, we have approximately $300 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Private-label Mortgage-backed Securities Litigation, Repurchase Obligations, and Related Claims

We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters described in Note 24 to the Condensed Consolidated Financial Statements and potential repurchase obligations and related claims 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, 2010				
	Total	Less than 1 year	1-3 years ($ in millions)	3-5 years	More than 5 years
Description of obligation					
Long-term debt					
Total (a)	$ 89,334	$ 23,131	$ 32,484	$ 11,459	$ 22,260
Scheduled interest payments for fixed-rate long-term debt	29,627	3,582	5,710	4,248	16,087
Estimated interest payments for variable-rate long-term debt (b)	535	248	244	42	1
Estimated net payments under interest rate swap agreements (b)	287			24	263
Originate/purchase mortgages or securities	7,735	7,545			190
Commitments to provide capital to investees	76	40		2	34
Home equity lines of credit	2,749	104	761	637	1,247
Lending commitments	3,419	1,871	720	810	18
Lease commitments	356	85	121	90	60
Purchase obligations	818	291	324	194	9
Bank certificates of deposit	26,118	12,842	9,386	3,890	
Total	$ 161,054	$ 49,739	$ 49,750	$ 21,396	$ 40,169

(a) Total amount reflects the remaining principal obligation and excludes original issue discount of $3.2 billion related to the December 2008 bond exchange and fair value adjustments of $447 million 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, 2010.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total $862 million at December 31, 2010. 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 $214 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, 2010, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. Debt issuances redeemable at or above par during the callable period are presented by stated maturity date. 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 mortgage-backed securities. 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, 2010. 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, 2010. 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 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 our judgments and assumptions 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 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.

	June 30,	December 31,	
	2011	2010	2009
		($ in millions)	
Assets at fair value	$ 29,552	$ 33,001	$ 34,730
As a percentage of total assets	17%	19%	20%
Liabilities at fair value	$ 4,949	$ 4,832	$ 3,189
As a percentage of total liabilities	3%	3%	2%
Assets at fair value using Level 3 inputs	$ 6,611	$ 6,969	$ 13,672
As a percentage of assets at fair value	22%	21%	39%
Liabilities at fair value using Level 3 inputs	$ 969	$ 1,090	$ 1,626
As a percentage of liabilities at fair value	20%	23%	51%

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.

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

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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, nonimpaired loans 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.

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

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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, Residuals and Allowance for Lease Losses

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. Historically, we established residual values by using independently published residual values. Since re-entry into the lease market in August 2009, we established 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 Lease Residual Risk Management). 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. Overall business conditions (including the used vehicle markets), our remarketing abilities, and automotive manufacturer vehicle and marketing programs may cause management to adjust initial residual projections (as further described in Lease Residual Risk Management).

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. Certain triggering events necessitated impairment reviews in the second, third, and fourth quarters of 2008. There were no such impairment charges in 2010 or 2009. Refer to Note 10 for a discussion of the impairment charges recognized in 2008.

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 GM related to residual support and risk-sharing agreements. To the extent GM 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. They may also be purchased. 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. 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. 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.

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.

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.

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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.

Review and compare pricing of publicly traded interest-only securities. We evaluate and compare our fair value to publicly traded interest-only stripped mortgage-backed securities by age and coupon for reasonableness.

Review and compare fair value price/multiples. We evaluate and compare our fair value price/multiples to market fair value price/multiples quoted 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.

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. At December 31, 2010, 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.

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, 2010, 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 automotive 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.

Automotive service contracts Automotive service contract losses in the United States and abroad 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. Mechanical 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, 2010, 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.

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 a 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.

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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, 2010 and 2009, 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 $2.0 billion and $2.5 billion, respectively. For additional information regarding our provision for income taxes, refer to Note 24 to the Consolidated Financial Statements.

Private Debt Exchange and Cash Tender Offers

In 2008, we commenced separate private exchange and cash tender offers to purchase and/or exchange certain of outstanding notes held by eligible holders for cash, newly issued notes of Ally, and in some cases preferred stock of a wholly owned Ally subsidiary. Refer to Note 17 to the Consolidated Financial Statements for further details.

In evaluating the accounting for the private debt exchange and cash tender offers (the Offers) in December 2008, management was required to make a determination as to whether the Offers should be accounted for as a TDR or an extinguishment of Ally and ResCap debt. In concluding on the accounting, management evaluated applicable accounting guidance. The relevant accounting guidance required us to determine whether the exchanges of debt instruments should be accounted for as a TDR. A TDR results when it is determined, evaluating six factors considered to be indicators of whether a debtor is experiencing financial difficulties, that the debtor is experiencing financial difficulties and the creditors grant a concession; otherwise, such exchanges should be accounted for as an extinguishment or modification of debt. The assessment of this critical accounting estimate required management to apply a significant amount of judgment in evaluating the inputs, estimates, and internally generated forecast information to conclude on the accounting for the Offers.

One of these factors was whether we had the ability with entity-specific cash flows to service the contractual terms of existing debt agreements through maturity based on estimates and projections that only encompassed the current business capabilities. Our assessment considered internal analyses such as our short-term and long-term liquidity projections, net income forecasts, and runoff projections. These analyses were based on our consolidated financial condition and our comprehensive ability to service both Ally and ResCap obligations and were based only on our then current business capabilities and funding sources. In addition to our baseline projections, these analyses incorporated stressed scenarios reflecting continued deterioration of the credit markets, further GM financial distress, and significant curtailments of loans originations. Management assigned probability weights to each scenario to determine an overall risk-weighted projection of our ability to meet our consolidated obligations as they come due. These analyses indicated that we could service all Ally and ResCap obligations as they came due in the normal course of business.

Our assessment also considered capital market perceptions of our financial condition, such as our credit agency ratings, market values for our debt, analysts reports, and public statements made by us and our

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stakeholders. Due to the rigor applied to our internal projections, management placed more weight on our internal projections and less weight on capital market expectations.

Based on this analysis and after the consideration of the applicable accounting guidance, management concluded the Offers were not deemed to be a TDR. As a result of this conclusion, the Offers were accounted for as an extinguishment of debt.

Applying extinguishment accounting, we recognized a gain at the time of the exchange for the difference between the carrying value of the exchanged notes and the fair value of the newly issued securities. In accordance with applicable fair value accounting guidance related to Level 3 fair value measures, we performed various analyses with regard to the valuation of the newly issued instruments. Level 3 fair value measures are valuations that are derived primarily from unobservable inputs and rely heavily on management assessments, assumptions, and judgments. In determining the fair value of the newly issued instruments, we performed an internal analysis using trading levels on the trade date, December 29, 2008, of existing Ally unsecured debt, adjusted for the features of the new instruments. We also obtained bid-ask spreads from brokers attempting to make a market in the new instruments.

Based on the determined fair values, we recognized a pretax gain upon extinguishment of $11.5 billion and reflected the newly issued preferred shares at their fair value, which was estimated to be $234 million on December 29, 2008. The majority of costs associated with the Offers were deferred in the basis of newly issued bonds. In the aggregate, the Offers resulted in an $11.7 billion increase to our consolidated equity position.

If management had concluded that TDR accounting was applicable, a significant portion of the $11.5 billion pretax gain, estimated to be $8.4 billion, would not have been recognized at the time of the exchange. A gain of $3.1 billion would have been recognized immediately, and an additional contractual discount of $3.0 billion would have been deferred and accreted as an offset to interest expense over the term of the newly issued bonds. Additionally, costs associated with the Offers would have been recognized immediately as an expense rather than deferred in the basis of the newly issued bonds.

The Offers were a significant component of our strategy to satisfy the condition for a minimum amount of regulatory capital in connection with our application to become a bank holding company. If the Offers had been accounted for as a TDR, regulatory capital would have been $8.4 billion lower, which may have affected the Federal Reserve s consideration of our application.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to 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 Table

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

	Six months ended June 30, 2011			2010			Increase (decrease) due to (a)		
($ in millions)	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/ rate	Total
Assets									
Interest-bearing cash and cash equivalents	$ 12,473	$ 27	0.44%	$ 14,004	$ 32	0.46%	$ (3)	$ (2)	$ (5)
Trading securities	231	6	5.24	253	7	5.58	(1)		(1)
Investment securities (c)	14,450	201	2.81	11,232	181	3.25	47	(27)	20
Loans held-for-sale, net	8,597	206	4.83	14,755	371	5.07	(148)	(17)	(165)
Finance receivables and loans, net (d)	107,984	3,299	6.16	87,394	3,235	7.46	686	(622)	64
Investment in operating leases, net (e)	8,976	823	18.49	13,905	992	14.39	(407)	238	(169)
Total interest-earning assets	152,711	4,562	6.02	141,543	4,818	6.86	174	(430)	(256)
Noninterest-bearing cash and cash equivalents	1,026			467					
Other assets	24,430			38,623					
Allowance for loan losses	(1,840)			(2,528)					
Total assets	$ 176,327			$ 178,105					
Liabilities									
Interest-bearing deposit liabilities	$ 39,270	$ 347	1.78%	$ 31,385	$ 313	2.01%	$ 72	$ (38)	$ 34
Short-term borrowings	7,186	234	6.57	7,557	210	5.60	(11)	35	24
Long-term debt (f)(g)(h)	88,843	2,744	6.23	88,907	2,842	6.45	(2)	(96)	(98)
Total interest-bearing liabilities (g)(i)	135,299	3,325	4.96	127,849	3,365	5.31	59	(99)	(40)
Noninterest-bearing deposit liabilities	2,098			1,897					
Total funding sources (g)(j)	137,397	3,325	4.88	129,746	3,365	5.23			
Other liabilities	18,498			27,682					
Total liabilities	155,895			157,428					
Total equity	20,432			20,677					
Total liabilities and equity	$ 176,327			$ 178,105					
Net financing revenue		$ 1,237			$ 1,453		$ 115	$ (331)	$ (216)
Net interest spread (k)			1.06%			1.55%			
Net interest spread excluding original issue discount (k)			1.97			2.61			
Net interest spread excluding original issue discount and including noninterest bearing deposit liabilities (k)			2.03			2.67			
Net yield on interest-earning assets (l)			1.63			2.07			
			2.36			2.91			

Net yield on interest-earning assets excluding original issue discount (l)	

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(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of $11 million and $8 million at June 30, 2011 and 2010, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to our Consolidated Financial Statements.

(e) Includes gains on sale of $282 million and $383 million during the six months ended June 30, 2011 and 2010, respectively. Excluding these gains on sale, the annualized yield would be 12.15% and 8.83% at June 30, 2011 and 2010, respectively.

(f) Includes the effects of derivative financial instruments designated as hedges.

(g) Average balance includes $2,761 million and $4,048 million related to original issue discount at June 30, 2011 and 2010, respectively. Interest expense includes original issue discount amortization of $550 million and $588 million during the six months ended June 30, 2011 and 2010, respectively.

(h) Excluding original issue discount the rate on long-term debt was 4.83% and 4.89% at June 30, 2011 and 2010, respectively.

(i) Excluding original issue discount the rate on total interest-bearing liabilities was 4.05% and 4.25% at June 30, 2011 and 2010, respectively.

(j) Excluding original issue discount the rate on total funding sources was 3.99% and 4.19% at June 30, 2011 and 2010, respectively.

(k) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

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	Year ended December 31, 2010 Average balance (b)	Interest income/ interest expense	Yield/ rate	2009 Average balance (b)	Interest income/ interest expense	Yield/ rate	Increase (decrease) due to (a) Volume	Yield/ rate	Total
	($ in millions)								
Assets									
Interest-bearing cash and cash equivalents	$ 13,964	$ 70	0.50%	$ 14,065	$ 99	0.70%	$ (1)	$ (28)	$ (29)
Trading securities	252	15	5.95	985	132	13.40	(67)	(50)	(117)
Investment securities (c)	11,312	345	3.05	9,446	216	2.29	48	81	129
Loans held-for-sale, net	13,506	664	4.92	12,542	447	3.56	37	180	217
Finance receivables and loans, net (d)(e)	92,224	6,556	7.11	92,567	6,481	7.00	(24)	99	75
Investment in operating leases, net (f)	12,064	1,750	14.51	21,441	1,967	9.17	(1,075)	858	(217)
Total interest earning assets	143,322	9,400	6.56	151,046	9,342	6.18	(1,082)	1,140	58
Noninterest-bearing cash and cash equivalents	686			1,144					
Other assets	35,040			28,910					
Allowance for loan losses	(2,363)			(3,208)					
Total assets	$ 176,685			$ 177,892					
Liabilities									
Interest-bearing deposit liabilities	$ 33,355	$ 660	1.98%	$ 24,159	$ 700	2.90%	$ 220	$ (260)	$ (40)
Short-term borrowings	7,601	447	5.88	9,356	566	6.05	(104)	(15)	(119)
Long-term debt (g)(h)(i)	87,270	5,729	6.56	97,939	6,008	6.13	(682)	403	(279)
Total interest-bearing liabilities (g)(h)(j)	128,226	6,836	5.33	131,454	7,274	5.53	(566)	128	(438)
Noninterest-bearing deposit liabilities	2,082			1,955					
Other liabilities	25,666			20,231					
Total liabilities	155,974			153,640					
Total equity	20,711			24,252					
Total liabilities and equity	$ 176,685			$ 177,892					
Net financing revenue		$ 2,564			$ 2,068		$ (516)	$ 1,012	$ 496
Net interest spread (k)			1.23%			0.65%			
Net interest spread excluding original issue discount (k)			2.29%			1.68%			
Net yield on interest earning assets (l)			1.79%			1.37%			
Net yield on interest earning assets excluding original issue discount (l)			2.63%			2.13%			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

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(c) Excludes income on equity investments of $17 million and $10 million at December 31, 2010 and 2009, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to the Consolidated Financial Statements.

(e) Includes other interest income of $1 million and $86 million at December 31, 2010 and 2009, respectively.

(f) Includes gains on sale of $704 million and $516 million during the year ended December 31, 2010 and 2009, respectively. Excluding these gains on sale, the yield would be 8.67% and 6.77% at December 31, 2010 and 2009, respectively.

(g) Includes the effects of derivative financial instruments designated as hedges.

(h) Average balance includes $3,710 million and $4,804 million related to original issue discount at December 31, 2010 and 2009, respectively. Interest expense includes original issue discount amortization of $1,204 million and $1,143 million during the year ended December 31, 2010 and 2009, respectively.

(i) Excluding original issue discount the rate on long-term debt was 4.97% and 4.74% at December 31, 2010 and 2009, respectively.

(j) Excluding original issue discount the rate on total interest bearing liabilities was 4.27% and 4.50% at December 31, 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.

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Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

	2010	2009	December 31, 2008 ($ in millions)	2007	2006
Consumer					
Domestic					
Consumer automobile	$ 34,604	$ 12,514	$ 16,281	$ 20,030	$ 40,568
Consumer mortgage					
1st Mortgage	7,057	7,960	13,542	24,941	56,483
Home equity	3,964	4,238	7,777	9,898	9,445
Total domestic	45,625	24,712	37,600	54,869	106,496
Foreign					
Consumer automobile	16,650	17,731	21,705	25,576	20,538
Consumer mortgage					
1st Mortgage	742	405	4,604	7,320	3,463
Home equity		1	54	4	45
Total foreign	17,392	18,137	26,363	32,900	24,046
Total consumer loans	63,017	42,849	63,963	87,769	130,542
Commercial					
Domestic					
Commercial and industrial					
Automobile (a)	24,944	19,604	16,913	17,463	14,892
Mortgage	1,540	1,572	1,627	3,001	11,115
Other	1,795	2,688	3,257	3,430	2,953
Commercial real estate					
Automobile	2,071	2,008	1,941		
Mortgage	1	121	1,696	2,943	2,969
Total domestic	30,351	25,993	25,434	26,837	31,929
Foreign					
Commercial and industrial					
Automobile (b)	8,398	7,943	10,749	11,922	11,501
Mortgage	41	96	195	614	600
Other	312	437	960	1,704	1,606
Commercial real estate					
Automobile	216	221	167		
Mortgage	78	162	260	536	243
Total foreign	9,045	8,859	12,331	14,776	13,950
Total commercial loans	39,396	34,852	37,765	41,613	45,879
Total finance receivables and loans (c)	$ 102,413	$ 77,701	$ 101,728	$ 129,382	$ 176,421

Loans held-for-sale	$ 11,411	$ 20,625	$ 7,919	$ 20,559	$ 27,718

(a) Amount includes Notes Receivable from General Motors of $3 million at December 31, 2009.

(b) Amounts include Notes Receivable from General Motors of $484 million, $908 million, $1.7 billion, $1.9 billion, and $2.0 billion at December 31, 2010, 2009, 2008, 2007, and 2006, 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.

	2010	December 31, 2009 ($ in millions)	2008
Consumer			
Domestic			
Consumer automobile	$ 129	$ 267	$ 294
Consumer mortgage			
1st Mortgage	452	782	2,547
Home equity	108	114	540
Total domestic	689	1,163	3,381
Foreign			
Consumer automobile	78	119	125
Consumer mortgage			
1st Mortgage	261	33	1,034
Home equity			
Total foreign	339	152	1,159
Total consumer (a)	1,028	1,315	4,540
Commercial			
Domestic			
Commercial and industrial			
Automobile	261	281	1,448
Mortgage		37	140
Other	37	856	64
Commercial real estate			
Automobile	193	256	153
Mortgage	1	56	1,070
Total domestic	492	1,486	2,875
Foreign			
Commercial and industrial			
Automobile	35	66	7
Mortgage	40	35	
Other	97	131	19
Commercial real estate			
Automobile	6	24	2
Mortgage	70	141	143
Total foreign	248	397	171
Total commercial (b)	740	1,883	3,046
Total nonperforming finance receivables and loans	1,768	3,198	7,586
Foreclosed properties	150	255	787

Repossessed assets (c)	47	58	95
Total nonperforming assets	$ 1,965	$ 3,511	$ 8,468
Loans held-for-sale	$ 3,273	$ 3,390	$ 731

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(a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was $109 million during the year ended December 31, 2010. Interest income recorded for these loans was $52 million during the year ended December 31, 2010.

(b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was $61 million during the year ended December 31, 2010. Interest income recorded for these loans was $28 million during the year ended December 31, 2010.

(c) Repossessed assets exclude $14 million, $23 million, and $34 million of repossessed operating lease assets at December 31, 2010, 2009, and 2008, respectively.

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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.

	2010	December 31, 2009 ($ in millions)	2008
Consumer			
Domestic			
Consumer automobile	$	$	$ 19
Consumer mortgage			
1st Mortgage	1	1	33
Home equity			
Total domestic	1	1	52
Foreign			
Consumer automobile	5	5	40
Consumer mortgage			
1st Mortgage		1	
Home equity			
Total foreign	5	6	40
Total consumer	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	$ 6	$ 10	$ 92

Loans held-for-sale	$ 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.

	2010	2009	2008 ($ in millions)	2007	2006
Balance at January 1,	$ 2,445	$ 3,433	$ 2,755	$ 3,576	$ 3,085
Cumulative effect of change in accounting principles	222		(616)	(1,540)	
Charge-offs					
Domestic	(1,297)	(3,380)	(2,192)	(2,398)	(1,575)
Foreign	(349)	(633)	(347)	(293)	(217)
Write-downs related to transfers to held-for-sale		(3,438)			
Total charge-offs	(1,646)	(7,451)	(2,539)	(2,691)	(1,792)
Recoveries					
Domestic	363	276	219	224	212
Foreign	85	76	71	74	50
Total recoveries	448	352	290	298	262
Net charge-offs	(1,198)	(7,099)	(2,249)	(2,393)	(1,530)
Provision for loan losses	442	5,604	3,102	3,037	1,948
Discontinued operations	(4)	566	308	30	29
Other	(34)	(59)	133	45	44
Balance at December 31,	$ 1,873	$ 2,445	$ 3,433	$ 2,755	$ 3,576

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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.

	2010		2009		December 31, 2008		2007		2006	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
					($ in millions)					
Consumer										
Domestic										
Consumer automobile	$ 769	41.0	$ 772	31.6	$ 1,115	32.5	$ 1,033	37.5	$ 1,228	34.3
Consumer mortgage										
1st Mortgage	322	17.2	387	15.8	525	15.3	540	19.6	1,325	37.0
Home equity	256	13.7	251	10.3	177	5.2	243	8.8	152	4.3
Total domestic	1,347	71.9	1,410	57.7	1,817	53.0	1,816	65.9	2,705	75.6
Foreign										
Consumer automobile	201	10.7	252	10.2	279	8.1	276	10.0	233	6.5
Consumer mortgage										
1st Mortgage	2	0.1	2	0.1	409	11.9	49	1.8	31	0.9
Home equity					31	0.9				
Total foreign	203	10.8	254	10.3	719	20.9	325	11.8	264	7.4
Total consumer loans	1,550	82.7	1,664	68.0	2,536	73.9	2,141	77.7	2,969	83.0
Commercial										
Domestic										
Commercial and industrial										
Automobile	73	3.9	157	6.4	178	5.2	36	1.3	37	1.0
Mortgage			10	0.4	93	2.7	483	17.5	396	11.1
Other	97	5.2	322	13.2	65	1.9	66	2.4	77	2.2
Commercial real estate										
Automobile	54	2.9								
Mortgage			54	2.2	458	13.3				
Total domestic	224	12.0	543	22.2	794	23.1	585	21.2	510	14.3
Foreign										
Commercial and industrial										
Automobile	33	1.7	54	2.2	45	1.3	26	1.0	32	0.9
Mortgage	12	0.7	20	0.8	3	0.1				
Other	39	2.1	111	4.6	9	0.3	3	0.1	65	1.8
Commercial real estate										
Automobile	2	0.1								
Mortgage	13	0.7	53	2.2	46	1.3				
Total foreign	99	5.3	238	9.8	103	3.0	29	1.1	97	2.7
Total commercial loans	323	17.3	781	32.0	897	26.1	614	22.3	607	17.0
Total allowance for loan losses	$ 1,873	100.0	$ 2,445	100.0	$ 3,433	100.0	$ 2,755	100.0	$ 3,576	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.

	Year ended December 31, 2010		2009	
($ in millions)	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate
Domestic deposits				
Noninterest-bearing deposits	$ 2,071	%	$ 1,955	%
NOW and money market checking accounts	8,015	1.21	5,941	1.66
Certificates of deposit	21,153	2.04	16,401	3.33
Dealer deposits	1,288	4.00	671	4.09
Total domestic deposit liabilities	32,527	1.78	24,968	2.70
Foreign deposits				
Noninterest-bearing deposits	11			
NOW and money market checking accounts	550	2.01	117	6.57
Certificates of deposit	2,107	2.83	1,029	2.25
Dealer deposits	242	4.47		
Total foreign deposit liabilities	2,910	2.80	1,146	2.69
Total deposit liabilities	$ 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.

Year ended December 31, 2010 ($ 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)	$ 897	$ 1,060	$ 1,781	$ 3,273	$ 7,011

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BUSINESS

General

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, globally diversified, financial services firm with $179 billion in assets and operations in 37 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 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 $36.9 billion of deposits at June 30, 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 approximately 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 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 and Canada.

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, and money market accounts, as well as an online checking product. 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.

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 $116.0 billion of assets at June 30, 2011, and generated $3.4 billion and $7.4 billion of total net revenue in the first six months of 2011 and fiscal year 2010.

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 Global Automotive Services operations offer a wide range of financial services and insurance products to approximately 21,000 automotive dealerships and 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 the first six months of 2011 and fiscal year 2010, 62% and 60%, respectively, of our U.S. 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 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 and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages.

Global Automotive Services is supported by approximately 9,100 employees worldwide. A significant portion of our Global Automotive Services business is conducted with or through GM- and Chrysler-franchised dealers and their customers.

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Automotive Finance

Our North American Automotive Finance operations consist of our automotive finance operations in the United States and Canada. At June 30, 2011, our North American Automotive Finance operations had $90.9 billion of assets and generated $1.9 billion and $4.0 billion of total net revenue in the first six months of 2011 and fiscal year 2010, respectively. According to Experian Automotive, we were the largest independent provider of new retail automotive loans in the United States during 2010. We funded one out of every ten new car purchases that were financed in the United States during 2010. 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 2,300 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 $73 billion portfolio at June 30, 2011. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our International Automotive Finance operations are in Europe, Latin America, and Asia. At June 30, 2011, our International Automotive Finance operations had $16.6 billion of assets and generated $487 million and $1.0 billion of total net revenue in the first six months of 2011 and fiscal year 2010, respectively. 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 U.S. and Canada). During 2010 and 2009, we significantly streamlined our international presence to focus on strategic operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC. 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. 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 remain our core markets in Europe with $5.8 billion of total finance receivables and loans at June 30, 2011. To improve operational efficiency, certain of our servicing and lending activities in Europe have been consolidated in Germany.

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.

Automotive dealers require a full range of financial products, including new and used vehicle inventory financing, inventory insurance, working capital and capital improvement loans, and vehicle remarketing services to conduct their respective businesses as well as service contracts and guaranteed asset protection (GAP) insurance to offer their customers. We have consistently provided this full suite of products to dealers.

For consumers, we offer retail automotive financing for new and used vehicles and leasing for new vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sale financing. References to consumer automobile loans in this prospectus include retail installment sales financing unless the context suggests otherwise. During the first six months of 2011 and fiscal year 2010, we originated a total of 1.2 million and 1.9 million automotive loans and leases worldwide totaling approximately $26.8 billion and $43.0 billion, respectively. We provided financing for 43% and 29% of GM s and Chrysler s North American retail sales including leases, respectively, and 25% of GM s international retail sales including leases in countries where both GM and we operate and we had retail financing volume, excluding China. For additional information

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about our relationship and business transactions with GM, refer to Note 26 to the Consolidated Financial Statements and the section of this prospectus entitled Certain Relationships and Related Party Transactions.

Our consumer automotive financing operations also generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. At lease termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the original estimate, which may be revised over time.

GM or Chrysler may elect as a marketing incentive to sponsor special financing programs for retail sales of their respective vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail contract or a lease by paying us the present value of the difference between the customer rate and our standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. GM may also from time to time offer lease pull-ahead programs, which encourage consumers to terminate existing leases early if they acquire a new GM vehicle. As part of these programs, we waive all or a portion of the customer s remaining payment obligation. In most cases, GM compensates us for a portion of the foregone revenue from those waived payments after consideration of the extent that our remarketing sale proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Historically, the manufacturer elected to lower a customer s lease payments through a residual support incentive program; in these instances, the manufacturer and we agreed to increase the projected value of the vehicle at the time the lease contract was signed, and the manufacturer reimbursed us if the remarketing sales proceeds were less than the adjusted residual value. We have not had any residual support incentive programs of material size on leases originated in 2009 or 2010 with any manufacturers.

Our commercial automotive financing operations primarily fund dealer purchases of new and used vehicles through floorplan financing. During 2010, we financed an average of $30.5 billion of dealer vehicle inventory worldwide through floorplan financings. We financed 82% and 68% of GM s and Chrysler s North American dealer inventory, respectively, during the first six months of 2011, and 80% of GM s international dealer inventory in countries where GM operates and we provide dealer inventory financing, excluding China. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing. 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. In 2010, we and others utilized SmartAuction to sell 412,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for over 60% of Ally s off lease vehicles.

Wholesale automotive financing represents the largest portion of our commercial automotive financing business. We extend lines of credit to individual dealers. In general, each wholesale credit line is secured by all the vehicles financed and, in some instances, by other assets owned by the dealer or by a personal guarantee. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is usually indexed to a floating rate benchmark. The rate for a particular dealer is based on the dealer s creditworthiness and eligibility for various incentive programs, among other factors.

Manufacturer Relationships

On November 30, 2006, we entered into an agreement with GM that stated, subject to certain conditions and limitations, whenever GM offers vehicle financing and leasing incentives to customers, it would do so exclusively through Ally. Most recently, this agreement was modified on May 22, 2009. As a result of these modifications: (1) through December 31, 2010, GM could 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 December 31, 2010, GM can offer any incentive programs on a graduated basis through third parties on a nonexclusive, side-by-side basis with Ally provided that the pricing of the third parties meets certain requirements; (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 agreement will expire on December 31, 2013. A primary objective of Ally under the agreement continues to be supporting distribution and marketing of GM products.

On August 6, 2010, we entered into an agreement with Chrysler (which replaced a term sheet that was originally effective on April 30, 2009) to make available automotive financing products and services to Chrysler dealers and customers. We are Chrysler s preferred provider of new wholesale financing for dealer inventory in the United States, Canada, and Mexico, along with other international markets upon the mutual agreement of the parties. We provide dealer financing and services and retail financing to qualified 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 Chrysler 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. During 2010, Chrysler also selected Ally to be the preferred financing provider for Fiat vehicles in the United States. Under this agreement, our North American Automotive Finance operations will offer retail financing, leasing, wholesale financing, working capital and facility loans, and remarketing services for Fiat vehicles in the United States.

Subvented loans, originated through our preferred financing relationships, represented 35% and 41% of our first six months of 2011 and fiscal year 2010 North American new retail loan and lease origination volume, respectively, compared to 52% in 2009 and 60% in 2008. For non-subvented 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.

In 2010, we also further diversified our Global Automotive Services customer base by establishing agreements with other manufacturers. In March 2010, we were selected by Spyker Cars N.V., which purchased Saab Automobile from GM, as the preferred source of wholesale and retail financing for qualified Saab dealers and customers in North America and internationally. Additionally, in November 2010, we were selected as the recommended provider of finance and insurance products and services for Saab dealerships in the United States. In April 2010, we were selected by Thor Industries, Inc. (Thor) as the preferred financial provider for its recreational vehicles. Thor is the world s largest manufacturer of recreation vehicles, including brands such as Damon, Four Winds, Airstream, Dutchmen, Komfort, Breckenridge, CrossRoads, General Coach, and Keystone RV.

On June 9, 2011, we announced that Maserati North America selected Ally as the preferred financing provider for Maserati vehicles in the United States and Canada. We will offer wholesale financing and insurance products for dealers and retail financing and leasing for consumers.

Insurance

Our Insurance operations offer both consumer insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle service contracts, mechanical breakdown and maintenance coverages. We also underwrite selected commercial insurance coverages which primarily insure dealers wholesale vehicle inventory in the United States and internationally, as well as personal automobile insurance in certain countries outside the United States. We sell vehicle service contracts with mechanical breakdown and maintenance coverages. Our Insurance operations had $8.5 billion of assets at June 30, 2011, and generated $1.0 billion and $2.4 billion of total net revenue in the first six months of 2011 and fiscal year 2010.

Our vehicle service contracts for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer s new vehicle warranty. These vehicle

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service contracts are marketed to the public through automotive dealerships and on a direct response basis in the United States and Canada. The vehicle service contracts cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle s value in the event the vehicle is damaged and declared a total loss. Our U.K.-based Car Care Plan subsidiary provides vehicle service contracts and GAP products in Europe and Latin America.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. We offer vehicle inventory insurance in the United States to virtually all new car franchised dealerships. We sell insurance products to over 4,000 dealers in the United States. Among U.S. GM dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 80%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits. International operations also manage a fee-focused insurance program through which commissions are earned from third-party insurers offering insurance products primarily to Ally customers worldwide.

Our ABA Seguros subsidiary provides personal automobile insurance and certain commercial insurance in Mexico. We also provide personal automobile insurance in Canada.

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We will 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.

Mortgage

Our Mortgage operations are now reported as two distinct segments: (1) Origination and Servicing operations and (2) Legacy Portfolio and Other operations. These operations are conducted through the mortgage operations of Ally Bank in the United States, ResMor Trust in Canada, and subsidiaries of ResCap legal entity in the United States. Our Mortgage operations had $31.3 billion of assets at June 30, 2011, and generated $808 million and $2.7 billion of total net revenue in the first six months of 2011 and fiscal year 2010, respectively.

Origination and Servicing

Our Origination and Servicing operations is one of the leading originators of conforming and government-insured residential mortgage loans in the United States. We also originate and purchase high-quality government-insured residential mortgage loans in Canada. We are one of the largest residential mortgage loan servicers in the United States and we provide collateralized lines of credit to other mortgage originators, which we refer to as warehouse lending. We finance our mortgage loan originations primarily in Ally Bank in the United States and in ResMor Trust in Canada. During 2010, we originated or purchased approximately 300,000 mortgage loans totaling $69.5 billion in the United States: $61.5 billion through our network of correspondents and $8.0 billion through our retail and direct network, which includes our Ditech branded direct-to-consumer channel. We sell the conforming mortgages we originate or purchase in sales that take the form of securitizations guaranteed by the Fannie Mae or Freddie Mac, and sell government-insured mortgage loans we originate or purchase in securitizations guaranteed by Ginnie Mae in the United States and sell the insured mortgages we originate in Canada as NHA-MBS issued under the Canada Mortgage and Housing Corporation s NHA-MBS program or through whole-loan sales. Fannie Mae, Freddie Mac, and Ginnie Mae are collectively known as the Government-sponsored Enterprises or GSEs. We also selectively originate prime jumbo mortgage loans in the United States. In 2010, we sold $67.8 billion of mortgage loans guaranteed by the GSEs, or 94.6% of total loans sold by us. At December 31, 2010, we were the primary servicer of 2.4 million mortgage loans with an unpaid principal balance

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of $361 billion. Our Originating and Servicing operations had $20.0 billion of assets at June 30, 2011, and generated $625 million and $1.8 billion of total net revenue during the six months ended June 30, 2011 and the year ended December 31, 2010, respectively.

Legacy Portfolio and Other

Our Legacy Portfolio and Other operations primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities including discontinued operations, portfolios in runoff, and cash held in the ResCap legal entity. These activities, all of which we have discontinued, include, among other things: lending to real estate developers and homebuilders in the United States and the United Kingdom; purchasing, selling and 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. During 2009 and 2010, we performed a strategic review of our mortgage business. As a result of the review, we exited the European mortgage market through the sale of our United Kingdom and continental Europe operations. The sale of these operations was completed on October 1, 2010. We have substantially reduced the risk in our Mortgage operations since the onset of the housing crisis through a significant reduction in total assets, primarily through the runoff and divestiture of noncore businesses and assets. In 2010, we sold $1.6 billion in domestic legacy mortgage loans to investors through nonagency securitizations. At June 30, 2011, our Legacy Portfolio and Other operations had total assets of $11.3 billion that included $1.3 billion of nonrecourse assets and cash, mortgage loans held-for-investment with a net carrying value of $8.2 billion, and mortgage loans held-for-sale with a net carrying value of $1.8 billion, which have been marked to their fair value at 47% of their unpaid principal balance on average. In addition, we have reached agreements with Freddie Mac and Fannie Mae, significantly limiting our repurchase obligations with each counterparty. Our Mortgage operations holds reserves of $829 million at June 30, 2011, for potential repurchase obligations related to potential breaches of representations and warranties.

Corporate and Other

Our Commercial Finance Group is included within Corporate and Other. Our Commercial Finance Group provides senior secured commercial lending products to small and medium sized businesses primarily in the United States. Corporate and Other also includes certain equity investments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, as well as the residual impacts of our corporate FTP and treasury ALM activities.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. 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 .

Ally Bank provides our automotive finance and mortgage loan operations with a stable and low-cost funding source and facilitates prudent asset growth. At June 30, 2011, we had $36.9 billion of deposits including $24.6 billion of retail deposits sourced by Ally Bank. The focus on retail deposits and growth in our deposit base from $19.2 billion at the end of 2008 to $36.9 billion at June 30, 2011, combined with improving capital markets and a lower interest rate environment have contributed to a reduction in our cost of funds of approximately 100 basis points since the first quarter of 2009. We believe our retail deposits at Ally Bank will continue to provide a diversified, low-cost funding source for our automotive and mortgage assets. Ongoing, our cost of funds will be influenced by changes in the level of deposits as well as the interest rate environment and the state of capital markets.

Consumer preferences for the online banking model have grown consistently over the past several years. We believe internet banking is now the preferred banking channel by consumers. According to a 2010 American Bankers Association survey, the number of bank customers who prefer to do their banking online increased from 21% to 36% between 2007 and 2010, while those who prefer branch banking has declined from 39% to 25% over the same period. We believe that Ally Bank is well-positioned to take advantage of the consumer-driven shift from branch to direct banking.

Competition

The markets for automotive and mortgage financing and providing insurance services are highly competitive. We compete with other financial services providers including captive automotive finance companies, banks, savings and loan associations, credit unions, finance companies, mortgage banking companies, and insurance companies. 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, have lower costs of capital, and are less reliant on securitization and sale activities. We believe we can compete effectively by continuing to expand and deepen our relationships with dealers through our dedicated sales force, breadth of product offering and competitive incentive programs.

The market for deposit products is also highly competitive. We compete with other direct banking institutions as well as traditional branch based banks, thrifts and credit unions. We seek to distinguish ourselves from the competition on superior customer service, competitive pricing and innovative products.

Our Strengths

Automotive financial services category leader with full product suite.

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

Our full suite of financing and insurance products and extensive on-site service relationships differentiate us from most of our competitors. As of June 30, 2011, over 5,000 of our automotive dealer customers utilized four or more of our products. We use incentive programs, such as our Ally Dealer Rewards program, to increase the volume of business and number of products used by our dealer customers. During the first six months of 2011 and fiscal year 2010, 62% and 60%, respectively, of our U.S. dealer customers received benefits under the Ally Dealer Rewards program which was initiated in 2009.

Implementation of our market-driven strategies since 2008 has enabled us to grow our Global Automotive Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. Since 2008, we have successfully added preferred provider agreements, including Chrysler (U.S., Canada and Mexico), Fiat (U.S. and Mexico), Saab (U.S. and Europe), American Suzuki (U.S.) and Thor (U.S.). Our strong relationships with manufacturers have allowed us to offer more products, expand our dealer base and strengthen our existing network of dealer relationships. We have increased our North American new non-GM retail originations from $1.0 billion in 2006 to $9.5 billion in 2010 and from $4.4 billion in the first six months of 2010 to $5.3 billion in the first six months of 2011.

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

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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. 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 2006-2010 data and Blue Chip Economic Indicators, Vol. 36, No. 3/Vol. 36, No. 7, as to projected 2011-2013 data.

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

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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.

Complementary mortgage origination and servicing operations.

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

Strong balance sheet, liquidity position and risk management.

We believe that the consumer automotive loans on our balance sheet reflect the significantly tighter underwriting standards across the credit spectrum that we adopted since 2008. Our underwriting process utilizes a robust combination of credit metrics, including, among others, FICO scores, loan-to-value ratios, debt-to-income ratios and proprietary scoring models. The average FICO score at origination of the U.S. new retail loans in our outstanding portfolio as of June 30, 2011 was 724. We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first six months of 2011 and fiscal year 2010, the loss rate on our U.S. consumer automotive portfolio was 0.68% and 1.73%, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process, which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. During the first six months of 2011 and fiscal year 2010, the loss rate on our U.S. commercial automotive portfolio was 0.04% and 0.27%, respectively.

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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. We have substantially reduced and derisked our legacy mortgage exposure of nonconforming assets through writedowns, run-offs and divestitures over the last three years. We have also settled with Fannie Mae and Freddie Mac, as well as several other counterparties, which resolved certain material repurchase obligations with each counterparty. At June 30, 2011, we held reserves of $829 million for potential repurchase obligations for loans we sold to counterparties. See Management s Discussion and Analysis of Financial Condition and Results of Operations Off-balance Sheet Arrangements Government-sponsored Enterprises for further details with respect to the scope of our settlement agreements with Fannie Mae and Freddie Mac.

We have demonstrated strong access to funding and liquidity that are critical to our business. In the first six months of 2011 and fiscal year 2010, we raised over $19 billion and nearly $36 billion of secured and unsecured funding in the capital markets, respectively. We also have significant liquidity available beyond capital markets funding with access to $36.9 billion of liquidity in the form of cash, highly liquid unencumbered securities, and available committed credit facility capacity at June 30, 2011.

Our access to deposits is an important source of diversified funding. Approximately 30% of our funding at the end of the first six months 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 June 30, 2011, we had a Tier 1 capital ratio of 14.65%, and a Tier 1 common ratio of % pro forma for this offering. We believe this capitalization compares favorably to our peers and positions us well for the future.

Experienced management team.

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

Our Business Strategy

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

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

Continue to generate consistent results through our Mortgage operations.

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

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

Reduce our funding costs and continue funding diversification.

We continue to expand and diversify our funding in order to improve our profitability and enhance our competitiveness. Our success at developing our franchise at Ally Bank has supported the growth of our retail deposit base to $24.6 billion at June 30, 2011 from $7.2 billion at the end of 2008. Our retail deposit growth has enabled us to diversify and reduce our cost of funds since 2008. Our strategy is to continue to increase our retail deposit base through the delivery of our full suite of deposit products and continued investment in the Ally Bank brand name.

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

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

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

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

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

Improve our shareholder return profile.

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

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Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. In light of recent conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry. As a result, proposals for legislation that could increase the scope and nature of regulation of the financial services industry are possible. The following is a description of some of the primary laws and regulations that currently affect our business.

Bank Holding Company Status

On December 24, 2008, and in connection with the conversion of Ally Bank (formerly GMAC Bank) from a Utah-chartered industrial bank into a Utah-chartered commercial state nonmember bank, Ally and IB Finance Holding Company, LLC (IB Finance) were each approved as bank holding companies under the BHC Act. IB Finance is the direct holding company for Ally s FDIC-insured depository institution, Ally Bank. As a result, we are subject to the supervision and examination of the FRB. As a bank holding company, Ally must comply with various reporting requirements by the FRB and is subject to supervision and examination by the FRB. Ally must also comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. The FRB has the authority to issue orders to bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the FRB. The FRB is also empowered to assess civil monetary penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the FRB; to order termination of certain activities of bank holding companies or their subsidiaries; and to order termination of ownership and control of a nonbanking subsidiary by a bank holding company. In addition, as a bank that is not a member of the Federal Reserve System, Ally Bank is subject to regulation and examination primarily by the FDIC and the UDFI. This regulatory oversight is established to protect depositors, the FDIC s Deposit Insurance Fund, and the banking system as a whole, not security holders. Ally s nonbank subsidiaries generally are subject to regulation by their functional regulators including the applicable state insurance regulatory agencies in the case of our insurance subsidiaries, and the SEC, the Financial Industry Regulatory Authority, and/or state securities regulators in the case of our securities subsidiaries, as well as by the FRB. Our foreign subsidiaries are subject to regulation by applicable foreign regulatory agencies.

Permitted Activities As a bank holding company, subject to certain exceptions, we are not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated FDIC-insured depository institution or more than 25% of any other company without first obtaining FRB approval. Furthermore, the activities of Ally must be generally limited to banking or to managing or controlling banks or other companies engaged in activities deemed closely related to banking or otherwise permissible under the BHC Act. Likewise, Ally generally may not hold more than 5% of any class of voting shares of any company unless that company s activities conform with the above requirements. Upon our bank holding company approval on December 24, 2008, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This initial grace period expired in December 2010; however, the FRB has granted a one-year extension expiring in December 2011. We will be permitted to apply to the FRB for two additional one year extensions. Absent further extensions, certain of Ally s existing activities and investments deemed impermissible under the BHC Act must be terminated or disposed of by the expiration of the grace period and any extensions. For further information, refer to the section of this prospectus entitled Risk Factors.

Gramm-Leach-Bliley Act The enactment of the Gramm-Leach-Bliley Act of 1999 (GLB Act) eliminated large parts of a regulatory framework that had its origins in the Depression era of the 1930s. Effective with its enactment, new opportunities became available for banks, other depository institutions, insurance companies, and securities firms to enter into combinations that permit a single

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financial services organization to offer customers a more comprehensive array of financial products and services. To further this goal, the GLB Act amended the BHC Act by providing a new regulatory framework applicable to financial holding companies, which are bank holding companies that meet certain qualifications and elect financial holding company status. The FRB regulates, supervises, and examines financial holding companies, as it does all bank holding companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a bank holding company, we are eligible to elect financial holding company status subject to satisfying certain regulatory requirements applicable to us and to Ally Bank (and any depository institution subsidiary that we may acquire in the future). As a financial holding company, Ally would then be permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities. However, we have not yet elected to become a financial holding company.

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

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

Capital Adequacy Requirements Ally and Ally Bank are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 22 to the Consolidated Financial Statements for additional information. See also Basel Capital Accord below.

Limitations on Bank Holding Company Dividends and Capital Distributions Utah law (and, in certain instances, federal law) places restrictions and limitations on the amount of dividends or other distributions payable by our banking subsidiary, Ally Bank, to Ally. With respect to dividends payable by Ally to its shareholders, it is the policy of the FRB that bank holding companies should pay cash dividends on common stock only out of current operating earnings and only if prospective earnings retention is consistent with the organization s expected future needs and financial conditions. The

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federal bank regulatory agencies are also authorized to prohibit a banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

In addition, on March 18, 2011, the FRB announced the completion of its CCAR, a cross-institution study of the capital plans, including proposals for increased dividends, share repurchases and repayments of government capital, of the nineteen largest U.S. bank holding companies, including Ally. Under the CCAR, five main aspects of each bank holding company s capital plans for a two-year planning period through the end of 2012 were assessed by the FRB: (i) capital adequacy processes; (ii) capital distribution policy; (iii) any plan for repayment of any U.S. government investment; (iv) stress scenario analysis; and (v) plans for meeting the regulatory capital requirements of Basel III and the Dodd-Frank Act. The FRB also consulted with each bank holding company s primary federal bank regulator and with the FDIC for any bank holding company with outstanding Temporary Liquidity Guarantee Program debt.

The FRB has announced that each bank holding company s capital plans will be subject to the following supervisory expectations:

- the bank holding company must demonstrate its ability to remain a viable financial intermediary, even under stressed conditions;
- the bank holding company is expected to continue to increase its capital base;
- in 2011, any bank holding company paying dividends is expected to limit dividends to 30% or less of anticipated earnings;
- any planned share repurchases will be reviewed if a bank holding company s capital is not increasing as anticipated; and
- the FRB may require modification of capital plans if there is a sharp deterioration in economic conditions.

The FRB expects each of the nineteen largest bank holding companies to undergo a CCAR on an annual basis.

While we have no current plans to commence payment of a dividend on our common stock, we anticipate that the FRB would require us to meet the same or similar expectations listed above in order to take capital actions in the future, including the payment of dividends.

Transactions with Affiliates Certain transactions between Ally Bank and any of its nonbank affiliates, including but not limited to Ally 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 an aggregate limit of 20% of Ally Bank s capital stock and surplus for all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe- and sound- banking practices (collectively, the Affiliate Transaction Restrictions). Under the Dodd-Frank Act, among other changes to Sections 23A and 23B of the Federal Reserve Act, credit exposures resulting from derivatives transactions and securities lending and borrowing transactions will be treated as covered transactions. These changes are expected to become effective in July 2012. Furthermore, there is an attribution rule that provides that a transaction between Ally Bank and a third party will be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to a nonbank affiliate of Ally Bank.

Because Ally controls Ally Bank, Ally is an affiliate of Ally Bank for purposes of the Affiliate Transaction Restrictions. Thus, retail financing transactions by Ally Bank involving vehicles for which Ally Financial provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally Financial.

The FRB is authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it finds such exemptions to be in the public interest and consistent with the purposes of the rules. The FRB has granted several such exemptions to Ally Bank. However, the existing exemptions are subject to various conditions and any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain 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.

Source of Strength Pursuant to FRB policy and regulations, the Federal Deposit Insurance Act (effective as of July 21, 2011), and under the Parent Company Agreement (the PA) and the Capital and Liquidity Maintenance Agreement (the CLMA) as described in Note 22 to the Consolidated Financial Statements, Ally is expected to act as a source of strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for Ally.

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord) of the Bank for International Settlements Basel Committee on Banking Supervision (the Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is required to comply with the Basel II rules as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period that includes four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. The U.S. implementation timetable consists of this qualification period followed by a minimum transition period of three years. During the transition period, Basel II risk-based capital requirements cannot fall below certain floors based on pre-existing capital regulations (Basel I). Ally is currently in the qualification period and expects to be in compliance with all relevant Basel II rules within the established timelines.

In addition to Basel II, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Base 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 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%. Basel III increases 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%,

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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, 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 I Capital. In addition, under Basel III rules, after a ten-year phase out period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier I capital in a three-year period starting January 1, 2013. At June 30, 2011, Ally had $3.3 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 Base 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.

Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program (TARP) established by Treasury under the Emergency Economic Stabilization Act of 2008 (the EESA), Ally entered into agreements pursuant to which Treasury purchased preferred stock and trust preferred securities of Ally. As a result of these investments, subject to certain exceptions, Ally and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring any common stock without consent of Treasury. Ally has further agreed that until Treasury ceases to hold investments in Ally, Ally will comply with certain restrictions on executive privileges and compensation. Ally must also take all necessary action to ensure that its corporate governance and benefit plans with respect to its senior executive officers comply with Section 111(b) of the EESA as implemented by any guidance or regulation under the EESA, as amended by the American Recovery and Reinvestment Act of 2009, which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009. For further details regarding these restrictions on compensation as a result of TARP investments, refer to the section of this prospectus entitled Executive Compensation.

Depository Institutions

On December 24, 2008, Ally Bank received approval from the UDFI to convert from an industrial bank to a commercial nonmember state-chartered bank. Ally Bank s deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were $70.3 billion and $55.3 billion at December 31, 2010 and 2009, respectively.

As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank s results of operations and financial condition. At December 31, 2010, we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 22 to the Consolidated Financial Statements.

International Banks, Finance Companies and Other Non-U.S. Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of our regulated international banks and finance companies were approximately $14.5 billion and $13.6 billion at December 31, 2010 and 2009, respectively. In addition, the BHC Act imposes restrictions on Ally s ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. It is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts. In addition, proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which GSEs conduct their business. Recently, the Obama administration released a report that recommended winding down Fannie Mae and Freddie Mac.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset restrictions, and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. In addition, the BHC Act imposes restrictions on our ability to invest equity abroad without FRB approval.

Other Regulations

Some of the other more significant regulations that we are subject to include:

Privacy The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers and permits customers to opt-out of information sharing with third parties. Regulations have been issued by several agencies that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

Fair Credit Reporting Act The Fair Credit Reporting Act provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information sharing between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

Truth in Lending Act The Truth in Lending Act (TILA), as amended, and the Federal Reserve s Regulation Z, which implements TILA, require lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. Failure to comply with TILA can result in criminal and civil penalties.

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Sarbanes-Oxley Act The Sarbanes-Oxley Act of 2002 implements a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict nonaudit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the chief executive officer and chief financial officer certify financial statements; (4) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer s securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a financial expert (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

USA PATRIOT Act/Anti-Money-Laundering Requirements In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities by, among other things, imposing additional compliance obligations on bank holding companies, banks, trust companies, and securities broker-dealers. Pursuant to these laws, it is the obligation of covered institutions to identify their clients, monitor for and report on suspicious transactions, respond to requests for information by regulatory authorities and law enforcement agencies, and share information with other financial institutions. To comply with applicable obligations, we have implemented necessary internal practices, procedures, and controls.

Other Our Mortgage operations have subsidiaries that are required to maintain regulatory capital requirements under agreements with the GSEs and the Department of Housing and Urban Development.

Employees

We had approximately 14,400 employees worldwide at December 31, 2010.

Segment and Geographic Information

Operating segment and principal geographic area data for the years ended December 31, 2010, 2009, and 2008 are summarized in Note 28 to the Consolidated Financial Statements.

Properties

Our principal corporate offices are located in Detroit, Michigan; New York, New York; and Charlotte, North Carolina. In Detroit, we lease approximately 247,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In New York, we lease approximately 24,000 square feet of office space under a lease that expires in July 2015 and approximately 18,000 square feet of office space under a lease that expires in July 2011. In Charlotte, we lease approximately 133,000 square feet of office space under a lease expiring in December 2015.

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The primary offices for our Global Automotive Services operations are located in Detroit, Michigan, and Southfield, Michigan. The primary office for our North American Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. Our International Automotive Finance operations leased space in 27 countries totaling approximately 490,000 square feet. The largest location is in United Kingdom with office space under lease of approximately 143,000 square feet. The primary office for our U.S. Insurance operations is located in Southfield, Michigan, where we lease approximately 91,000 square feet of office space under leases expiring in April 2011. Our Insurance operations also has leased offices in Mexico.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania, and Minneapolis, Minnesota. In Fort Washington, we lease approximately 450,000 square feet of office space pursuant to a lease that expires in November 2019. In Minneapolis, we lease approximately 84,000 square feet of office space expiring in March 2014. Our Mortgage operations also has significant leased offices in Texas and California.

In addition to the properties described above, we lease additional space throughout the United States and in the 37 countries in which we have operations, including Canada, Germany, and the United Kingdom. We believe our facilities are adequate for us to conduct our present business activities.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are occasionally involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. Certain of these existing actions include claims related to various mortgage-backed securities offerings, which are described in more detail below.

Mortgage-backed Securities Litigation

Private-label Securities Litigation

There are fourteen cases relating to various private-label mortgage-backed securities (MBS) offerings that are currently pending. Plaintiffs in these cases include Cambridge Place Investment Management Inc. (two cases pending in Suffolk County Superior Court, Massachusetts, filed on July 9, 2010, and February 11, 2011, respectively); The Charles Schwab Corporation (case pending in San Francisco County Superior Court, California, filed on August 2, 2010); Federal Home Loan Bank of Boston (case pending in Suffolk County Superior Court, Massachusetts, filed on April 20, 2011); Federal Home Loan Bank of Chicago (case pending in Cook County Circuit Court, Illinois, filed on October 15, 2010); Federal Home Loan Bank of Indianapolis (case pending in Marion County Superior Court, Indiana, on October 15, 2010, and removed to the Southern District of Indiana); Massachusetts Mutual Life Ins. Co. (case pending in federal court in the District of Massachusetts, filed on February 9, 2011); Allstate Insurance Co., et al. (case pending in Hennepin County District Court, Minnesota, filed on February 18, 2011); New Jersey Carpenters Health Fund, et al. (a putative class action, filed on September 22, 2008, in which certification has been denied, pending in federal court in the Southern District of New York); West Virginia Investment Management Board (case pending in Kanawha County Circuit Court, West Virginia, filed on March 4, 2010); Thrivent Financial for Lutherans, et al. (case pending in federal court in the District of Minnesota, filed on March 28, 2011); Union Central Life Insurance, et al. (case pending in federal court in the Southern District of New York, filed on April 28, 2011); National Credit Union Administration Board (case pending in federal court in the District of Kansas, filed on June 20, 2011); and The Western and Southern Life Insurance Co., et al. (case pending in Hamilton County Court of Common Pleas, Ohio, filed on June 29, 2011). Each of the above cases includes as defendants certain of our mortgage subsidiaries, and the New

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Jersey Carpenters, Massachusetts Mutual, Union Central and Western and Southern cases also include as defendants certain current and former employees. The plaintiffs in all cases have alleged that the various defendant subsidiaries made misstatements and omissions in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. The alleged misstatements and omissions typically concern underwriting standards. Plaintiffs claim that such misstatements and omissions constitute violations of state and/or federal securities law and common law including negligent misrepresentation and fraud. Plaintiffs seek monetary damages and rescission.

Private-label Monoline Bond Insurer Claims

There are two additional cases (filed on December 4, 2008, and April 1, 2010) pending in the New York County Supreme Court where MBIA Insurance Corp. (MBIA) has alleged that two of our mortgage subsidiaries breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. MBIA further alleges that our subsidiaries failed to follow certain remedy procedures set forth in the contracts and improperly serviced the mortgage loans. Along with claims for breach of contract, MBIA also alleges fraud. Additional litigation from other monoline bond insurance companies is likely.

All of the matters described above are at various procedural stages of litigation.

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MANAGEMENT

The following table presents information regarding directors, executive officers, and other significant employees of Ally.

Name	Age	Position
Franklin W. Hobbs	63	Director (Chairman of the Board)
Robert T. Blakely	69	Director (Chairman of Audit Committee)
Mayree C. Clark	53	Director (Member of Audit Committee)
John D. Durrett	62	Director
Stephen A. Feinberg	50	Director
Kim S. Fennebresque	60	Director
Marjorie Magner	61	Director (Member of Audit Committee)
John J. Stack	64	Director (Member of Audit Committee)
Michael A. Carpenter	63	Director and Chief Executive Officer
Jeffrey J. Brown	38	Senior Executive Vice President of Finance and Corporate Planning
Barbara Yastine	51	Chief Administrative Officer
James G. Mackey	43	Chief Financial Officer
William F. Muir	56	President
David J. DeBrunner	44	Vice President, Chief Accounting Officer, and Corporate Controller
Sanjay Gupta	42	Chief Marketing Officer
Thomas Marano	49	Chief Executive Officer, ResCap, and Chief Capital Markets Officer

Directors, Executive Officers, and Other Significant Employees

Franklin W. Hobbs Director of Ally since May 2009. He currently serves as Chairman of the board. Since 2004, he has been an advisor to One Equity Partners LLC, which manages investments and commitments for JPMorgan Chase & Co. in direct private equity transactions. He was previously the CEO of Houlihan Lokey Howard & Zukin. In that role, he oversaw all operations, which included advisory services for mid-market companies involved in mergers and acquisitions and corporate restructurings. He previously was Chairman of UBS AG s Warburg Dillon, Read & Co. Inc. unit. Prior to that, he was President and CEO of Dillon, Read & Co. Inc. Hobbs earned his bachelor s degree from Harvard College and master s degree in business administration from Harvard Business School. He serves as a director on the Boards of the Lord Abbett & Company and Molson Coors Brewing Company.

Robert T. Blakely Director of Ally since May 2009. With his years of managerial experience, Blakely brings to the board demonstrated management ability at senior levels. He is a trustee of the Financial Accounting Foundation, the oversight board for the Financial Accounting Standards Board. Blakely is the former executive vice president and chief financial officer of Fannie Mae. In this role, he led the financial restatement and implementation of SOX controls. He was previously the chief financial officer of WorldCom/MCI, Lyondell Chemical, Tenneco, and US Synthetic Fuels Corporation where he gained valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and generally overseeing the financial reporting processes of large corporations. Blakely received his PhD from Massachusetts Institute of Technology and his master s and bachelor s degrees from Cornell University.

Mayree C. Clark Director of Ally since May 2009. Clark also serves as a member of the investment committee for Aetos Capital Asia, which manages the firm s investments in Japanese and Chinese real estate, and is a director of the Stanford Management Company, which manages the University s endowment. Clark is a former partner and member of the executive committee at AEA Holdings. Clark held a variety of executive positions at Morgan Stanley over a span of nearly 25 years, serving as Global Research Director, Director of Global Private Wealth Management, and nonexecutive chairman of MSCI-Barra. Inc. Clark earned a bachelor s degree from the University of Southern California and a master s degree in business administration from Stanford University Graduate School of Business.

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John D. Durrett Director of Ally since February 2011. Durrett currently serves as a strategic advisor to Serent Capital, a San Francisco-based private equity firm, and sits on the boards of two of Serent s portfolio companies. Durrett is a director emeritus of McKinsey & Co., Inc., and completed his 27-year career with the firm in 2007. He served in numerous senior leadership positions during his tenure at McKinsey and also served as a member of the firm s Shareholder s Council and chaired its Finance and Infrastructure Committee. Durrett was also a long-time member of McKinsey s Compensation Committee and the Director s and Principal s Review Committees. Durrett received a bachelor s degree from Millsaps College, a juris doctorate from Emory University and a master s degree in business administration from the Wharton School of the University of Pennsylvania.

Stephen A. Feinberg Director of Ally since March 2009. Feinberg founded Cerberus Capital Management in November 1992. He also founded or cofounded the other Cerberus general partners/management companies and investment funds and is the Chief Executive Officer of an affiliated loan origination company. Feinberg began his career at Drexel Burnham Lambert where he was actively involved in trading large pools of firm capital. From 1985 to 1992, after leaving Drexel Burnham Lambert, he managed money in separate accounts, most of which was firm capital of Gruntal & Co., Inc. Feinberg has over 25 years of experience in distressed investing, including investments in the financial services industry, and he has served as a control party in connection with investments in numerous financial institutions, including various lending institutions. Feinberg is a 1982 graduate of Princeton University.

Kim S. Fennebresque Director of Ally since May 2009. Fennebresque was appointed chairman of Dahlman Rose & Co., LLC, a research-driven investment bank focused on natural resources and refined products around the world, in May 2010. Fennebresque has extensive business experience and has served as an investment banker for over three decades. He has demonstrated leadership capability and has extensive knowledge of the management of a publicly traded company. The depth and breadth of his exposure to areas of compensation, legal, accounting, and regulatory issues make him a skilled advisor. Fennebresque was previously a senior advisor at Cowen Group, Inc., where he also served as its chairman, president, and chief executive officer during his tenure at the firm. Prior to joining Cowen Group, Fennebresque served as head of the Corporate Finance and Mergers & Acquisitions departments at UBS. He also was a general partner and cohead of Investment Banking at Lazard Frères & Co. and held various positions at The First Boston Corporation. Fennebresque is a graduate of Trinity College and Vanderbilt Law School. He is currently on the boards of TEAK Fellowship, Fountain House, and Common Good.

Marjorie Magner Director of Ally since May 2010. She also serves on the Audit Committee and Risk and Compliance Committee. Magner is a founding member and partner of Brysam Global Partners. Previously, she served as chairman and chief executive officer of the Global Consumer Group at Citigroup. In this position, she was responsible for the company s operations serving consumers through retail banking, credit cards, and consumer finance. She earned a bachelor s degree in psychology from Brooklyn College and a master s degree from Krannert School of Management, Purdue University. Magner also serves on the boards of Accenture Ltd., Gannett Company, Inc., and the Brooklyn College Foundation. She is a member of the dean s advisory council for the Krannert School of Management.

John J. Stack Director of Ally since April 2010. He also serves on the Audit Committee and Risk and Compliance Committee. Stack served as chairman and chief executive officer of Ceska Sporitelna, a.s., the largest bank in the Czech Republic, from 2000 to 2007, leading its purchase from the government and transformation to the best performing bank in the country. Prior to that, he spent 22 years in retail banking in various roles at Chemical Bank and then later at Chase Bank. Stack began his career in government working in staff roles in the New York City Mayor s Office and then the New York City Courts System. He earned a bachelor s degree from Iona College and a master s degree from Harvard Graduate School of Business Administration. He also serves on the boards of Erste Bank Group, Mutual of America, and ShoreBank International.

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Michael A. Carpenter Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. He oversees all Ally strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. Carpenter has broad and deep experience in banking, capital markets, turnarounds, and corporate strategy. Most recently, he founded Southgate Alternative Investments in 2007. From 2002 to 2006, he was chairman and chief executive officer of Citigroup Alternative Investments overseeing $60 billion of proprietary capital and customer funds globally in various alternative investment vehicles. From 1998 to 2002, Carpenter was chairman and chief executive officer of Citigroup s Global Corporate & Investment Bank with responsibility for Salomon Smith Barney Inc. and Citibank s corporate banking activities globally. Carpenter was named chairman and CEO of Salomon Smith Barney in 1998, shortly after the merger that created Citigroup, and led the first ever successful integration of a commercial and investment bank. Prior to Citigroup, he was chairman and CEO of Travelers Life & Annuity and vice chairman of Travelers Group Inc. responsible for strategy and business development. From 1989 to 1994, he was chairman of the board, president, and CEO of Kidder Peabody Group Inc., a wholly owned subsidiary of General Electric Company. From 1986 to 1989, Carpenter was executive vice president of GE Capital Corporation. He first joined GE in 1983 as vice president of Corporate Business Development and Planning and was responsible for strategic planning and development as well as mergers and acquisitions. Earlier in his career, Carpenter spent nine years as vice president and director of the Boston Consulting Group consulting to major companies on corporate strategy and three years with Imperial Chemical Industries of the United Kingdom. Carpenter received a bachelor of science degree from the University of Nottingham, England, and an MBA from the Harvard Business School where he was a Baker Scholar. He also holds an honorary degree of Doctor of Laws from the University of Nottingham. He serves on the boards of US Retirement Partners and the New York City Investment Fund and has been a board member of the New York Stock Exchange, General Signal, Loews Cineplex, and various other private and public companies.

Jeffrey J. Brown Senior Executive Vice President of Finance and Corporate Planning since June 2011. In this role, Brown oversees the finance, treasury and corporate strategy activities of Ally. Brown joined Ally in March 2009 as corporate treasurer with responsibility for all global treasury activities, including funding and balance sheet management. Prior to joining Ally, Brown was the corporate treasurer for Bank of America where he had responsibility for the core treasury functions for funding the company and managing interest rate risk. Brown was at Bank of America for 10 years, beginning his career in finance and later joining the balance sheet management division. Brown previously served as the bank s deputy treasurer and oversaw balance sheet management and the company s corporate funding division. He was also a member of the company s Asset/Liability Management Committee. He received a bachelor s degree in economics from Clemson University and an executive master s degree in business from Queens University in Charlotte. He serves on the advisory board of the College of Business and Behavioral Sciences at Clemson University and on the advisory board of McColl School of Business at Queen s University in Charlotte.

Barbara Yastine Chief Administrative Officer of Ally since May 2010. In this role, she has oversight for the risk, compliance, legal and technology functions as well as serving as Chairperson of Ally Bank. Yastine is a seasoned executive with diverse experience at financial services companies. Prior to joining Ally, she served as a principal of Southgate Investment Partners, LLC. Before that, she was chief financial officer for Credit Suisse First Boston from 2002 to 2004 and had responsibility for controllership, treasury, risk management, strategy, mergers and acquisitions, and tax. She was with Citigroup and its predecessors for 15 years with her last position being as chief financial officer of Citigroup s global corporate and investment bank. During her time at Citigroup, she also served as chief auditor, chief administrative officer of the global consumer group, and as executive vice president of what is now CitiFinancial. Yastine began her career at Travelers as the head of investor relations. Yastine chairs the Audit Committee of the board of directors of Symphony Services, a portfolio company of private equity firm Symphony Technology Group. She is also a member of the board of trustees of Phoenix House where she chairs the Finance and Audit Committee and serves on the Compensation and Succession Planning Committees. She also serves on the board of Primerica Inc. (NYSE: PRI). Barbara is a former trustee of the Financial Accounting Foundation. She holds a bachelor s of arts degree in journalism and a master s degree in finance, both from New York University.

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James G. Mackey Chief Financial Officer of Ally since June 2011. Prior to this, Mackey served as Interim Chief Financial Officer since April 2010. In this role, he is responsible for the oversight of the company s financial analysis, controls and reporting, accounting, business planning, and investor relations. Mackey joined the company in 2009 as group vice president and senior finance executive responsible for financial planning and analysis, investor relations, corporate treasury finance, and banking subsidiary financial departments. He maintains oversight of these responsibilities. Previously, Mackey served as chief financial officer for the corporate investments, corporate treasury, and private equity divisions at Bank of America. Earlier in his tenure at Bank of America, he served as managing director within the global structured products group. Prior to Bank of America, Mackey served in the financial institutions practice group at PricewaterhouseCoopers LLP, specializing in capital markets accounting and consulting. He holds a bachelor s degree in business administration and a master s degree in accounting from the University of North Carolina at Chapel Hill. He is also a registered certified public accountant in North Carolina.

William F. Muir President of Ally since 2004, Chairman of Ally Insurance Group since June 1999, and a Member of the Ally Commercial Finance and Ally Bank Boards of Directors since February 2002 and March 2004, respectively. Prior to that time, Muir served as executive vice president and chief financial officer from February 1998 to 2004. From 1996 to 1998, Muir served as executive-in-charge of operations and then executive director of planning at Delphi Automotive Systems, a former subsidiary of GM. Prior to serving at Delphi Automotive Systems, Muir served in various executive capacities with Ally since first joining Ally in 1992. He also served in a number of capacities with GM since joining that company in 1983.

David J. DeBrunner Vice President, Chief Accounting Officer, and Controller of Ally since September 2007. DeBrunner joined Ally from Fifth Third Bancorp (Fifth Third) where he was senior vice president, corporate controller, and chief accounting officer from January 2002 to August 2007. Prior to that position, he served as the chief financial officer for the commercial division of Fifth Third beginning in December 1999. DeBrunner joined Fifth Third in 1992 and held various financial leadership positions throughout the company. Prior to his time at Fifth Third, he held positions at Deloitte and Touche LLP in the Chicago and Cincinnati offices. DeBrunner holds a bachelor s of science in accounting from Indiana University.

Sanjay Gupta Chief Marketing Officer of Ally Financial Inc. since March 2008. Gupta has responsibility for all marketing, e-commerce, and product Innovation at Ally. Before joining Ally, Gupta held the position of global consumer & small business marketing executive at Bank of America. Prior to joining Bank of America in 2001, Gupta served as chief marketing officer of SciQuest.com and before that assignment as managing director of interactive marketing and e-commerce at Federal Express. Gupta has a bachelor s degree in electronics engineering from the University of Bombay and a master s degree in business administration from the University of Texas at Austin with a concentration in finance and management information systems.

Thomas Marano Chairman and Chief Executive Officer of Ally s Mortgage operations and, as of May 1, 2009, Ally s Chief Capital Markets Officer. As CEO of Mortgage operations, Marano oversees mortgage lending and servicing at Residential Capital, LLC (ResCap) and ResMor Trust (the Canadian depository) and the correspondent and warehouse lending at Ally Bank. Marano has served as Chairman and Chief Executive Officer of ResCap since July 2008 and is a chairman on its board of directors and member of its executive committee. In the role of Chief Capital Markets Officer, Marano oversees the coordination of Ally s capital commitments across the firm s bank, broker-dealer, mortgage, automotive, and proprietary trading divisions. Before joining ResCap, Marano was managing director for Cerberus Capital Management, L.P., responsible for residential and commercial capital markets. Marano spent more than 25 years at Bear Stearns & Co. Inc., most recently as senior managing director and global head of mortgage and asset-backed securities responsible for mortgage sales, trading, and origination. Marano earned a bachelor s degree from Columbia College in New York City. He serves on the board of the Intrepid Fallen Heroes Fund and is on Columbia University s Board of Visitors and a Trustee of the Samuel Waxman Cancer Research Foundation.

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Ally Code of Ethics

Ally has published on its website the Ally Code of Conduct and Ethics that is applicable to all employees and members of the Ally Board of Directors. The Ally Code of Conduct and Ethics further includes certain provisions that apply specifically to Ally financial professionals (as that term is defined in the Ally Code of Conduct and Ethics). The Ally Code of Conduct and Ethics has been posted on Ally s internet website at www.ally.com, under About Ally, and Policies & Charters. Any amendment to, or waiver from, a provision of the Ally Code of Conduct and Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions will be posted at this same internet website location as required by applicable law.

Board and Committee Composition

Our current directors were elected pursuant to the terms of the Amended and Restated Governance Agreement dated May 21, 2009 (the Governance Agreement), which we previously entered into with our shareholders. Based on the current ownership of our common stock, the Governance Agreement provides that the Board is to be comprised of the following: (1) one director designated by affiliates of Cerberus Capital Management, L.P., (2) six directors designated by Treasury, (3) the chief executive officer of Ally and (4) three independent directors chosen by the members described in (1) through (3) above. Currently, the Board consists of the Cerberus designated director, the chief executive officer of Ally, four directors designated by Treasury, and three independent directors. See Certain Stockholder Agreements.

The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence under the rules and regulations promulgated by the NYSE.

We have established a separately designated standing Audit Committee. Members currently include Chairman Robert T. Blakely, Mayree C. Clark, Marjorie Magner, and John J. Stack. Each member is independent as required by Rule 10A-3 of the Exchange Act and under rules of the NYSE, and the Board has determined that all members are also qualified as audit committee financial experts, as defined by the SEC. The Audit Committee operates pursuant to a charter approved by the Board of Directors. The Audit Committee reviews and, as it deems appropriate, recommends to our Board of Directors our internal accounting and financial controls and the accounting principles and auditing practices and procedures to be employed in preparation and review of our financial statements. The Audit Committee also makes recommendations to the Board concerning the engagement of independent public auditors and the scope of the audit to be undertaken by such auditors.

We have also established a Compensation, Nominating, and Governance Committee (the CNG Committee). Members of the CNG Committee currently include Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs. The Board has independently and affirmatively determined that all CNG Committee members meet all the requirements for independence under the rules and regulations promulgated by the NYSE. The CNG Committee operates pursuant to a charter approved by the Board of Directors. For a description of CNG s responsibilities, see Executive Compensation.

We have also established a Risk and Compliance Committee (the Risk Committee). Members of the Risk Committee currently include Mayree C. Clark (Committee Chairwoman), Stephen A. Feinberg, Franklin W. Hobbs, Marjorie Magner and John J. Stack. The Risk Committee operates pursuant to a charter approved by the Board of Directors. The Risk Committee assists the Board of Directors in setting risk appetite and tolerances, and overseeing our management s responsibility to manage our risk profile and implement our risk program, with emphasis on credit, market, liquidity, operational, and reputational risks from both an enterprise and a line of business perspective. Additionally, the Risk Committee oversees our management s responsibility to implement our compliance program, with emphasis on our compliance with legal and regulatory requirements.

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EXECUTIVE COMPENSATION

Corporate Governance and Related Disclosures

The Compensation, Nominating and Governance Committee

The Ally Compensation, Nominating and Governance Committee (the Committee , in this section) is a committee of the Board consisting of three nonemployee, independent directors: Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs.

The Committee, pursuant to its Charter, is responsible for the following:

- Discharging the Board s responsibilities with respect to the establishment, maintenance and administration of Ally s compensation plans, including determining the total compensation of the Chief Executive Officer and executive officers plus other senior executives designated by the Committee as under its purview;
- Overseeing Ally s leadership development and succession planning programs;
- Identifying qualified individuals for membership on the Board (consistent with criteria approved by the Board) and to recommend to the Board the director nominees;
- Reviewing and recommending to the Board the director compensation for service on the Board;
- Leading the Board and its committees in their annual self-evaluation and the annual review of the Board s performance;
- Developing and recommending to the Board a corporate governance policy for the Board, and overseeing Ally s corporate governance procedures and practices related to the Board; and
- Performing any and all duties required of it under the EESA and any regulations or other legal authority promulgated at any time thereunder.

Compensation, Nominating and Governance Committee Process

Ally s executive compensation programs are administered by the Committee. As noted above, the Committee consists of three independent directors: Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs. During 2010, the Committee met 15 times.

The Committee determines the compensation of senior executives under its purview, including the compensation of our named executive officers (NEOs , who are also our SEOs for purposes of the TARP requirements). In making its determination for senior executives, other than the CEO, and in making changes to our executive compensation program, the Committee considers the recommendations of the CEO. The Committee determines the compensation of the CEO without recommendations from the CEO or from management. The Committee has delegated to the CEO the authority to determine cash compensation for and to grant long-term incentive awards to executives below the approximately 25 highest-compensated employees and other select senior executives whose compensation is under the purview of the Committee. The Committee also meets periodically in executive session without the presence of any members of management. As discussed above in reviewing Ally s compensation policies and practices, the Committee seeks the input of Ally s Risk Management functions, including the chief risk officer, and in its deliberations on compensation related issues, it also consults with the chairmen of the Board s Risk and Compliance Committee and Audit Committee.

Frederic W. Cook & Co. (Cook) has been appointed by the Committee to serve as its independent advisor. Cook reports directly to the Committee and provides ongoing advice with respect to the plans and programs covering the executives, including our NEOs, for which the Committee is responsible. Cook reviews all materials developed by management in advance of Committee meetings, provides comments on such materials to the

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Chair, provides advice and recommendations concerning changes to our plans and programs, as well as information on market practices and trends, and attends meetings of the Committee. During 2010, Cook also provided competitive information, advice, and recommendations for changes to the compensation program for 2011 to Ally s Board. Cook undertakes no separate work for the management of Ally.

In addition to the Committee s relationship with Cook, Ally s Human Resources Group separately engaged Hewitt Associates, LLC. (Hewitt) during 2010 to provide assistance on executive compensation matters. Hewitt conducted a competitive assessment of compensation for the 25 highest-compensated executives that was used in determining pay recommendations for submission to the Special Master in early 2010. In July 2010, Ally s Human Resources Group separately engaged Pearl Meyer & Partners (Pearl Meyer) to provide consulting assistance on matters pertaining to executive compensation. More specifically, Pearl Meyer provided assistance regarding the following matters: a competitive assessment of the compensation paid to Ally s CEO and Chief Financial Officer (CFO), a review of the key terms and provisions included in omnibus long-term incentive plans used in the financial services industry and an updated competitive assessment of the compensation for Ally s 25 highest-compensated executives requested by the Special Master. Pearl Meyer provided no consulting services to Ally prior to its engagement in July 2010.

Executive Compensation Discussion and Analysis

Introduction

During 2010, we successfully achieved our primary strategic objectives, which included being the premier auto finance provider, de-risking the mortgage business, successfully accessing the capital markets, growing our deposit base, and improving our cost structure. As a result, Ally earned core pretax income of $2.5 billion in 2010 and was profitable in all four quarters in 2010.

Our automotive finance business remained the leading provider of auto loans with global consumer originations for new and used vehicles increasing significantly. Ally was ranked as the number one provider of new vehicle retail financing in the United States during 2010 by Experian Automotive. We also significantly increased consumer penetration with GM and Chrysler during 2010 and were named as the recommended provider of finance and insurance products and services for Saab and Fiat dealerships in the United States. We continued to reduce risk in the mortgage business and reached important settlements for representation and warranty exposure with various counterparties. We have also completed a strategic review of our mortgage business and have determined to focus on our conforming and government-insured residential mortgage loans (mortgages eligible for securitizations guaranteed by Fannie Mae or Freddie Mac) origination and servicing platform. We converted $5.5 billion of the $11.4 billion of Treasury s mandatory convertible preferred stock into common equity on December 31, 2010, thereby improving our capital position, and we successfully accessed the capital markets with nearly $36 billion of new funding transactions completed in 2010. Ally Bank demonstrated the strength of its customer value proposition with strong deposit growth and high retention rates. We were also successful in reducing costs and divesting noncore businesses during 2010.

TARP Executive Compensation Limitations

In connection with our participation in TARP and certain determinations of the Special Master, Ally is subject to certain limitations on executive compensation, the most significant of which are:

- Cash salaries generally limited to $500,000, except in special cases;

- The majority of an SEO s compensation paid in equity that must be held long-term;

- Incentive compensation granted in the form of long-term restricted equity that is contingent on performance and paid out after incremental TARP repayments;

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- Perquisites and other compensation capped at $25,000, with limited exceptions;
- Suspension of the accrual of benefits to supplemental executive retirement plans;
- Prohibition on incentives for SEOs that could cause them to take unnecessary or excessive risks;
- Clawback of any bonus or incentive compensation paid to an SEO based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate; and
- Prohibition on any severance payable to the SEOs and the next five most highly compensated employees.

These limitations apply until Ally is no longer subject to TARP.

Ally Compensation Program Overview and Philosophy

Despite the limitations imposed on our executive compensation by TARP, Ally s compensation philosophy has been, and continues to be, that there should be a strong linkage between compensation and performance. We believe compensation should:

- Align with long-term value creation for our shareowners;
- Provide appropriate incentives based on individual, business, and Company performance;
- Encourage prudent, but not excessive risk taking;
- Provide a total compensation opportunity competitive with market practice; and
- Be internally equitable for the relative value of the employee s position at Ally.

In addition, our compensation plans have been designed to achieve performance enabling us to repay the U.S. taxpayers as quickly as practicable.

Ally supports the compensation principles underlying the TARP compensation rules, and we believe our compensation philosophy is consistent with the TARP compensation principles. The Special Master has required that the majority of compensation for NEOs and the next 20 highest-compensated employees be in the form of long-term stock or stock units, that such stock or stock units should be held for specified minimum periods of time, and that incentive payments should be subject to recoupment if paid based on information that is subsequently found to be materially inaccurate. The Company and the Committee fully support and have implemented these principles for our NEOs and the next 20 highest-compensated employees.

The Pay Process for 2010

For 2010, the total compensation opportunity for the NEOs was determined by the Special Master, following review and approval of recommended total direct compensation levels for each of the NEOs by the Committee. As part of the process for developing pay recommendations for submission to the Special Master, the Committee approved individual performance goals and objectives for awarding long-term incentive restricted stock units (IRSUs) at year-end.

During 2010, Ally converted the awards associated with our long-term compensation plans from basis points to phantom shares, which resulted in each award denominated in basis points being converted into approximately 80 phantom shares per basis point. This change did not affect the vesting, value, or any other features of the awards.

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Assessing Ally Compensation Competitiveness

We compare our total direct compensation against a peer group of other comparably sized financial services companies with whom we compete for business and senior executive talent in the auto finance, mortgage finance, commercial finance, and insurance markets. We use publicly available SEC reported pay data from a peer group of companies approved by the Committee to conduct the competitive assessment for the CEO and CFO positions. For the other NEO and senior executive positions, we use market survey data from several survey sources to conduct the competitive assessments. Wherever practical, the market surveys include companies that are part of the peer group approved by the Committee.

For 2010, the Committee approved the use of the following peer group of 12 financial services companies listed below to conduct the competitive assessment for the CEO and CFO compensation:

AFLAC Inc.	Genworth Financial, Inc.	SunTrust Banks, Inc.
American Express Company	Hartford Financial Services	U.S. Bancorp
Capital One Financial Corporation	MetLife Inc.	Unum Group
CIT Group Inc.	Prudential Financial Inc.	Wells Fargo & Company

This peer group is the same used for 2009 and has been approved for use in 2011. Ford Motor Credit and GE Capital Services are included in the peer group for the CEO competitive pay analyses if CEO compensation is reported in their parent company SEC statements.

For 2010, survey data used for the remaining NEOs and other senior executive positions came from one or more survey sources including Hewitt s Total Compensation Measurement (TCM) database, Towers Watson Executive Financial Services survey, McLagan Investment Management survey, and McLagan Fixed Income Sales and Trading survey. Because multiple survey sources are used and not all survey participants provide data for each of the remaining NEOs, it is not possible to list the survey participants included in our competitive data analyzed for positions other than the CEO and the CFO.

For executives whose pay is not determined by the Special Master, our compensation philosophy is to set base salaries and employee benefits at median competitive levels and to set annual incentives to deliver total annual cash compensation up to or exceeding the 75th percentile when warranted by achievement of aggressive performance goals and top quartile competitive performance. If annual performance goals are not achieved, annual incentives are reduced or eliminated, and total annual cash compensation falls to below the market median. The size of long-term incentive awards relative to total compensation is set annually to ensure senior management maintains an appropriate level of long-term balance in their total compensation and to achieve individual differentiation of total compensation based on performance considerations and retention needs.

Due to the pay restrictions applicable to the NEOs under TARP, including limitations on incentive compensation, total direct compensation rather than individual elements of pay (i.e., base salary, annual incentives, and long-term incentives) is set to provide competitive compensation when attainment of individual performance goals supports the awarding of long-term IRSUs at year-end. If IRSUs are partially awarded or not awarded at all because of insufficient performance, total direct compensation will fall below competitive levels.

At the beginning of the year, the Committee sets proposed direct and incentive compensation levels for each of the NEOs based on his or her job responsibilities. Once the Committee determines and approves the proposed compensation packages for the NEOs, they are submitted to the Special Master for approval. The Special Master then reviews the proposed packages to determine if they are aligned with TARP requirements and set at appropriate market levels. The Special Master subsequently issues a determination letter, specifying the final design and allocation of total pay approved for the NEOs. At the end of the year, the Committee reviews the performance of the NEOs relative to their individual goals and objectives and determines the total incentive compensation (i.e., the IRSUs) to be awarded to each NEO, which can be up to 100% of the amount previously approved in the determination letter.

Role of Management in Compensation Decisions

Compensation recommendations for the NEOs other than the CEO are presented to and discussed with the Committee by the CEO. The Committee then determines and approves the proposed compensation for the NEOs, which is submitted to the Special Master for final approval.

The Committee determines and approves the compensation of the CEO without the recommendation of management.

Components of Ally Compensation Program

Due to the TARP restrictions on cash compensation and limitations on incentive compensation, base salary is delivered in a combination of cash and equity. Additionally, all NEOs are ineligible to receive annual cash incentives, but are eligible to receive incentives of up to one-third of total compensation in the form of long-term IRSUs. We also offer a limited selection of perquisites and other benefits in order to enhance the effectiveness of our NEOs in focusing their time and energy on performing their duties and responsibilities and to enable us to offer a competitive compensation package to attract and retain senior executive talent.

Base Salary

Under our compensation philosophy, base salary is intended to provide a predictable level of compensation that is competitive in the marketplace for the position responsibilities and individual skills, knowledge, and experience of each executive. However, the pay restrictions under TARP significantly changed the form and amount of base salary paid in 2009, which continued for 2010. The Special Master has determined that NEO cash salaries should not exceed $500,000 except in special cases. As a result, a significant portion of total direct compensation is delivered in the form of equity-based salary for alignment with shareholders interests.

The following table shows base salaries paid to the NEOs (excluding Mr. Hull) in 2010.

NEO	2010 Base salary Cash ($)	Equity (Deferred stock units) ($)	Total ($)
Michael A. Carpenter	$ 186,346	$ 7,813,654	$ 8,000,000
James G. Mackey	475,068	1,119,964	1,595,032
Jeffrey J. Brown	500,000	2,350,000	2,850,000
Thomas Marano	500,000	4,437,500	4,937,500
Sanjay Gupta	509,000	2,208,333	2,717,333

Equity salary is delivered in the form of deferred stock units (DSUs), which vest immediately, but are subject to restrictions on the timing of payout. DSUs are paid out in installments beginning one year after grant and continuing over the next four years.

Determining Mr. Carpenter s 2010 Pay Package

Effective on March 23, 2010, the Special Master approved a new compensation structure for Mr. Carpenter, our CEO, as requested by the Committee. The revised compensation structure for 2010 provides that all of

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Mr. Carpenter s compensation be based on the long-term equity value of the company. Accordingly, effective March 23, 2010, payment of cash base salary to Mr. Carpenter was discontinued and the rate of his equity salary was increased by a corresponding amount.

The Special Master set the compensation for Mr. Carpenter in a determination letter dated March 23, 2010 as follows.

Base salary		Incentive restricted	Target total
Cash	Deferred stock units	stock units	compensation
$	$ 8,000,000	$ 1,500,000	$ 9,500,000

Annual Cash Incentives

All NEOs were ineligible to receive annual cash incentives in 2010 due to restrictions under TARP and will continue to be ineligible for as long as the TARP restrictions are in place.

Long-term Equity-based Incentives

We provide long-term equity-based incentives in the form of IRSUs to have an incentive compensation component in the total direct compensation opportunity of our NEOs and to provide retention and alignment with shareholder interests. Due to the restrictions under TARP, grants of long-term IRSUs are the only incentive compensation permitted for the NEOs and the next 20 highest-compensated employees. In addition, the Company grants restricted stock units (RSUs) to approximately 500 executives below the top 25 highest-compensated employees.

These long-term IRSU awards for our NEOs and the next 20 highest compensated employees vest in full three years after they are granted. After the vesting requirement is met, the NEOs will receive payouts only when the Company starts to repay its TARP obligations. Payouts will be made on an incremental basis. For example, after the vesting requirement is met and Ally repays 25% of the TARP obligations, 25% of the value of the vested IRSU award will be paid to the NEOs (the payout schedule is the same for all NEOs and the next 20 highest-compensated employees receiving these awards). The NEOs will receive additional installments equal to 25% of the vested IRSU value after 50%, 75%, and 100% of the TARP obligations have been repaid.

Incentive Compensation Determination for the NEOs

At the beginning of 2010, the Committee established proposed incentive compensation levels for each of the NEOs up to the maximum level permitted by TARP of one-third of their total compensation. As noted above, IRSU awards are the only permitted incentive compensation for the NEOs. Individual goals and objectives related both to Ally performance and individual performance including the performance of the individual s business unit or function were set for the awarding of incentive compensation at year-end.

Based on its reviews of Ally and individual performance, the Committee granted the IRSU awards to the NEOs as indicated in the Summary Compensation Table. The value of each IRSU award granted was determined at the end of the year primarily based on the 2010 performance of Ally relative to company objectives and accomplishments and, to a lesser degree, the Committee s judgment of how each NEO performed relative to his individual goals and objectives, including adherence to standards set by Ally s risk, control and compliance functions, and the limitation established under TARP that incentive compensation cannot exceed one-third of total compensation and cannot be earned above 100% to reflect overachievement of any goals and objectives. In its determination process, the Committee did not employ any formula or quantitative adjustment methodology, but relied instead on its overall assessment of the individual s performance against stated goals and objectives and its subjective judgment regarding the individual s contribution to the Company s annual performance. Forms of compensation other than IRSUs were not impacted by these reviews since they were set at the permitted levels in accordance with the applicable TARP restrictions on executive compensation.

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For 2010, the Special Master imposed an additional performance restriction on Ally s grants of long-term IRSUs. Unless Ally had positive core pretax income for 2010, the potential grant of IRSUs would be reduced by 50%. Since Ally s actual core pretax income for 2010 was $2.5 billion, this restriction did not apply.

The significant 2010 performance objectives and accomplishments for Ally are discussed in the CEO Compensation section below. Each NEO was responsible for various contributions to achieve these enterprise-wide objectives. Below is a listing of the overall responsibilities of each NEO, along with the NEO s significant individual 2010 performance objectives and applicable 2010 accomplishments.

CEO Compensation

Michael A. Carpenter Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. Mr. Carpenter oversees all Ally strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. The 2010 performance objectives and accomplishments for Mr. Carpenter are included in the table below. In making the incentive compensation award determination for Mr. Carpenter, the Committee considered the performance objectives and accomplishments of Ally.

2010 Performance Objectives	2010 Accomplishments
Return Ally to profitability	Achieved profitability for all four quarters
Reduce overall expenses	Successfully reduced costs and divested noncore businesses
Capitalize on opportunities in the auto finance business	Ranked as the number one provider of new vehicle retail financing in the United States by Experian Automotive
	Increased global consumer auto financing originations for new and used vehicles
	Significantly increased United States consumer penetration with General Motors and Chrysler
	Named the recommended provider of finance and insurance products and services for Saab and Fiat dealerships in the United States
Demonstrate improved access to capital markets	Successfully accessed the capital markets with nearly $36 billion of new funding transactions
Continue to build Ally Bank	Achieved strong deposit growth and high retention rates at Ally Bank
Explore strategic alternatives for the mortgage business and further manage mortgage risk	Significantly reduced risk in the legacy mortgage business and reduced representation and warranty exposure through several important settlements with various counterparties
Position Ally to repay the United States Department of Treasury as soon as practical	Converted $5.5 billion of the $11.4 billion of the United States Department of Treasury s mandatory convertible preferred stock into common equity

Other NEO Compensation

Mr. Carpenter, in consultation with the Compensation Committee and the Board, established the priorities for Ally and each NEO at the beginning of the year. Each NEO reports directly to Mr. Carpenter and is a member of the Management Council, a group which is responsible for the strategic direction and overall performance of

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the company. As such, each NEO plays a key role in the stewardship and overall success of Ally and achievement of Ally s established performance objectives. Therefore, the 2010 Ally accomplishments outlined in the CEO Compensation section above were the main deciding factors used for determination of the incentive compensation awards provided to each NEO for 2010. In addition to the accomplishments of Ally, the Compensation Committee also considered each NEO s individual accomplishments discussed below in a non-formulaic manner. When awarding incentive compensation grants to individual NEOs, the Compensation Committee is limited in the awards that can be granted as governed by the TARP compensation rules discussed above.

James G. Mackey Interim Chief Financial Officer of Ally since April 2010 and Chief Financial Officer since June 2011. Mr. Mackey is responsible for the oversight of the company s financial analysis, controls and reporting, accounting, business planning, and corporate strategy. In making the incentive compensation award determination for Mr. Mackey, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2010 performance objectives and accomplishments for Mr. Mackey are included in the table below.

2010 Performance Objectives	2010 Accomplishments
Focus on delivering business partner needs	Engaged business unit and functional partners to assess business needs and establish strategic priorities
Drive corporate strategy initiatives	Divested noncore businesses
	Converted $5.5 billion of the $11.4 billion of the United States Department of Treasury s mandatory convertible preferred stock into common equity
Improve the accuracy and efficiency of the monthly close and forecasting processes	Reduced Ally s legal and managerial close timeframe
	Created a new business review process, drove integrated financial, stress, liquidity and capital forecasts, and increased the accuracy in consolidated forecasts

Jeffrey J. Brown Corporate Treasurer of Ally since March 2009 and Senior Executive Vice President of Finance and Corporate Planning since June 2011. Mr. Brown is responsible for all global treasury activities, including funding and balance sheet management. In making the incentive compensation award determination for Mr. Brown, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2010 performance objectives and accomplishments for Mr. Brown are included in the table below.

2010 Performance Objectives	2010 Accomplishments
Build an improved forecast for the company s consolidated balance sheet and future business model	Developed the company s current asset-liability management model that serves as the basis for liquidity and capital planning and is leveraged across treasury and finance, to provide improved transparency for near and long-term forecasts
Manage cash forecasts for all key business entities and identify opportunities to enhance the company s liquidity position	Established a balance sheet management unit capable of modeling various forecasts and assessing various risks
Identify opportunities to enhance the company s capital position	Raised $26 billion in secured funding with a variety of asset classes and $7 billion in unsecured funding

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Sanjay Gupta Chief Marketing Officer of Ally since March 2008. Mr. Gupta has responsibility for all marketing, e-commerce, and product innovation at Ally. In making the incentive compensation award determination for Mr. Gupta, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2010 performance objectives and accomplishments for Mr. Gupta are included in the table below.

2010 Performance Objectives	2010 Accomplishments
Drive brand awareness for the company	Significantly increased Ally brand awareness, and improved the satisfaction of Ally Bank customers
Manage the consumer marketing activities for Ally	Successfully completed the rebranding of various strategic operations of the business to Ally
Drive deposit growth in the US and Canada and create innovative products to enhance value propositions	Launched several significant new products at Ally Bank

Thomas Marano Chairman and Chief Executive Officer of Ally s Mortgage operations and, as of May 1, 2009, Ally s Chief Capital Markets Officer. As CEO of Mortgage operations, Mr. Marano oversees mortgage lending and servicing at Residential Capital, LLC (ResCap) and ResMor Trust (the Canadian depository) and the correspondent and warehouse lending at Ally Bank. In making the incentive compensation award determination for Mr. Marano, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2010 performance objectives and accomplishments for Mr. Marano are included in the table below.

2010 Performance Objectives	2010 Accomplishments
Maximize capital markets execution	Improved financial performance for the capital markets and broker dealer businesses
Execute strategic solutions for ResCap by implementing cost reductions and divesting noncore businesses	Completed significant distressed loan sales and noncore business divestitures to reduce risk in mortgage business
Ensure compliance defects are reduced to mitigate credit operations risk through new technology implementations and ensure excellent customer service through loan originations and modifications	Significantly decreased material loan defects
	Increased loan modifications enabling ResCap to continue to be the servicer with the highest conversion rates among the five largest servicers in the United States Treasury s Home Affordable Modification Program

Benefits and Perquisites

We provide our NEOs with health and welfare benefits under the broad-based program generally available to all of our employees. This allows them to receive certain benefits that are not readily available to individuals except through an employer and to receive certain benefits on a pretax basis. Our benefit program includes the Ally Retirement Savings Plan. We provide the savings plan in lieu of higher current cash compensation to ensure that employees have a source of retirement income and because these plans enjoy more favorable tax treatment than current compensation. Under this plan, employee contributions of up to 6% of salary were matched 100% by Ally. Ally also provided a 2% nonmatching contribution on both salary and annual incentives which fully vests after being employed for three years. In addition, Ally provided a 2% nonmatching discretionary contribution on salary in light of the Company s significantly improved 2010 performance.

Ally suspended nonqualified contributions to its Retirement Savings Plan in 2009 and did not make any additional nonqualified contributions in 2010. Therefore, employer contributions for 2010 were made only under the qualified portion of the plan only which limits contributions to pay up to $245,000.

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In addition to broad-based benefits, the NEOs are provided with limited supplemental benefits and perquisites to remain competitive in attracting and retaining executive talent. For 2010, in accordance with the TARP restrictions, the total value of these perquisites and supplemental benefits was capped at $25,000.

Long-term Compensation Structure

Based on the compensation structure for 2010, long-term equity-based compensation, represented by DSUs and IRSUs, comprises a significant portion of each NEOs total compensation. The long-term equity-based portion of total compensation for each NEO and its associated percentage of total compensation for 2010 are as follows.

		Long-term equity-based compensation	
NEO	**Total compensation (a) ($)**	**Dollar amount awarded ($)**	**Percent of total compensation (%)**
Michael A. Carpenter	$ 9,529,958	$ 9,313,654	97.7%
James G. Mackey	2,419,623	1,922,951	79.5%
Jeffrey J. Brown	4,288,908	3,750,000	87.4%
Thomas Marano	7,433,035	6,906,250	92.9%
Sanjay Gupta	3,938,878	3,408,333	86.5%

(a) The compensation amounts shown above for Mr. Carpenter do not include $395,096 of IRSU awards, which were granted in 2010 for 2009 performance. This IRSU grant is included in the 2010 compensation for the Summary Compensation Table as per SEC rules.

Employment Agreements and Severance

Ally currently has no employment agreement with any of the NEOs.

As a condition to participating in TARP, Ally s NEOs and the next five most highly compensated employees are not eligible for any severance in the event of termination of employment. These restrictions apply until Ally repays its TARP obligations.

Clawback Provisions

In connection with the risk assessment Ally conducted in 2010, the Company has reviewed all of its incentive compensation programs to ensure they include language allowing the Company to recoup incentive payments made to recipients in the event those payments were based on financial statements that are later found to be materially inaccurate. Incentive plans that did not include such language were revised to allow for incentive payments to be recovered. A recipient who fails to promptly repay Ally under such circumstances is subject to termination of employment.

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Summary Compensation Table

Name and principal position	Year	Salary ($) (a)(b)	Bonus ($) (c)	Stock awards ($) (d)(e)(f)	Option awards ($) (g)	All other compensation ($) (h)	Total ($)
Michael A. Carpenter	2010	$ 186,346	$	$ 9,708,750	$	$ 29,958	$ 9,925,054
Chief Executive Officer	2009	119,726		682,438		35	802,199
James G. Mackey	2010	475,068		1,922,951		21,604	2,419,623
Executive Vice President,							
Chief Financial Officer							
Jeffrey J. Brown	2010	500,000		3,750,000		38,908	4,288,908
Senior Executive Vice President of Finance and Corporate Planning							
Thomas Marano	2010	500,000		6,906,250		26,785	7,433,035
Chief Executive Officer, ResCap, and Chief Capital Markets Officer	2009	2,419,231		3,223,108		51,994	5,694,333
Sanjay Gupta	2010	509,000		3,408,333		21,545	3,938,878
Chief Marketing Officer	2009	430,769		3,508,333		40,425	3,979,527
	2008	333,333	1,262,500	3,665,352	141,568	574,776	5,977,529
Robert S. Hull	2010	128,222		772,500		98,378	999,100
former Chief Financial Officer	2009	517,307		4,345,000		54,210	4,916,517
	2008	500,000	250,000	5,970,340	353,920	1,855,344	8,929,604

(a) Amounts represent the cash portion of the base salary earned from each executive s employment commencement with Ally. These dates are: November 15, 2009, for Mr. Carpenter; May 1, 2009, for Mr. Marano; and March 3, 2008, for Mr. Gupta. Mr. Hull resigned effective April 2, 2010. Mr. Mackey was named interim CFO on April 2, 2010. The amounts shown as salary do not include the DSU award values that are part of the executive s base salary and are shown as stock awards in this table.

(b) For 2010, represents the amount of Mr. Carpenter s compensation that was paid in cash prior to March 23, 2010, when his compensation structure changed to be fully based on the long-term equity value of the Company, as previously discussed in the section titled *Determining Mr. Carpenter s 2010 Pay Package* .

(c) No NEO received a discretionary bonus under our Annual Incentive Plan for 2010 or 2009. Mr. Gupta s 2008 total represents a $700,000 sign-on bonus following his hiring to compensate for value he forfeited with his former employer when he joined Ally and $662,500 for a discretionary bonus under our Annual Incentive Plan. Mr. Hull s 2008 total represents a discretionary midyear spot award that was provided in recognition of his substantial contributions to securing Ally s first financial restructuring of 2008.

(d) The 2010 total represents the grant date fair value of the Ally DSU and IRSU awards granted in 2010 in accordance with ASC 718 and was not necessarily the cash payment received. The amount for Mr. Carpenter includes $395,096 of IRSU awards that were granted in January 2010 for performance in 2009, as per the SEC rules. The amounts for each NEO for 2010 are displayed in the following table.

Name	DSU($)	IRSU($)	Total($)
Michael A. Carpenter	$ 7,813,654	$ 1,895,096	$ 9,708,750
James G. Mackey	1,119,964	802,987	1,922,951
Jeffrey J. Brown	2,350,000	1,400,000	3,750,000
Thomas Marano	4,437,500	2,468,750	6,906,250
Sanjay Gupta	2,208,333	1,200,000	3,408,333

Robert S. Hull	772,500	772,500

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(e) The 2009 total represents the grant date fair value of the Ally RSU, DSU, and IRSU awards granted in 2009 in accordance with ASC 718 and was not necessarily the cash payment received. The amount for Mr. Carpenter does not include $395,096 of IRSU awards that were granted in January 2010 for performance in 2009 and were included in the 2010 total, as per the SEC rules. The RSU value shown for Mr. Marano represents the grant date fair value of his RSU awards granted in 2009. Subsequent to the grant, RSU awards with a fair value of $671,135 were vested and settled, and RSU awards with a fair value of $2,013,407 were converted to IRSU awards with the original RSU grant date. Based on TARP restrictions, a portion of Mr. Marano s IRSU awards were converted to DSU awards in December 2010. The balances below have been restated to include this conversion. The amounts for each NEO for 2009 are displayed in the following table.

Name	RSU($)	DSU($)	IRSU($)	Total($)
Michael A. Carpenter	$	$ 682,438	$	$ 682,438
Thomas Marano	2,569,246	653,862		3,223,108
Sanjay Gupta		2,208,333	1,300,000	3,508,333
Robert S. Hull		2,730,000	1,615,000	4,345,000

(f) The 2008 total represents the grant date fair value of the Ally RSU and Management Profits Interest Plan (MPI) awards granted in 2008 in accordance with ASC 718 and was not necessarily the cash payment received. The amounts for each NEO for 2008 are displayed in the following table.

Name	RSU($)	MPI($)	Total($)
Sanjay Gupta	$ 2,970,000	$ 695,352	$ 3,665,352
Robert S. Hull	3,652,500	2,317,840	5,970,340

(g) Represents the grant date fair value of the Ally Long Term Phantom Interest Plan awards in accordance with ASC 718 and not necessarily the cash payments received with respect to the year ended December 31, 2008. There was no cash compensation paid to our NEOs with respect to these awards and none of the awards is currently outstanding. See Note 25 to our Consolidated Financial Statements for a discussion of the valuation assumptions for the awards.

(h) See the All Other Compensation in 2010 section below for further details.

All Other Compensation in 2010

	Michael A. Carpenter	James G. Mackey	Jeffrey J. Brown	Thomas Marano	Sanjay Gupta	Robert S. Hull
Financial counseling (a)	$ 7,500	$ 3,191	$	$ 7,500	$	$ 890
Legal services (b)			20,000			
Liability insurance (c)	425	425	425	425	425	
Total perquisites	7,925	3,616	20,425	7,925	425	890
Life insurance (d)	14,652	992	1,068	1,710	1,161	468
401(k) matching contribution (e)	7,381	16,996	17,415	17,150	19,959	16,755
Unused paid-time-off payment (f)						80,265
Total all other compensation	$ 29,958	$ 21,604	$ 38,908	$ 26,785	$ 21,545	$ 98,378

(a)

We provide a taxable allowance to certain senior executives for financial counseling and estate planning services with one of several approved providers. The NEOs are provided an enhanced financial and estate planning service. This program does not provide for tax preparation services. Costs associated with this benefit are reflected in the table above, based on the actual charge for the services received. Any taxes assessed on the imputed income for the value of this service are the responsibility of the executive.

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(b) Represents reimbursement for certain legal services.

(c) Represents the total cost of liability insurance for 2010.

(d) Represents the total cost of life insurance for 2010.

(e) Represents the employer contribution, company match contribution, and discretionary contribution made to the employees 401(k) fund.

(f) Represents the payment to Mr. Hull pursuant to his resignation associated with the paid-time-off balance he earned but had not used. This type of payment is made to all employees with an unused paid-time-off balance upon termination. At December 31, 2009, all accrued paid-time-off balances for executives were frozen.

Grants of Plan-based Awards in 2010 Estimated Future Payments under Equity Incentive Plan Awards

The following table represents Ally DSU and IRSU awards, which are stated in phantom shares.

Name	Award	Grant date (a)	All other stock awards: number of shares of stock or units (b)	Grant date fair value of stock and option awards ($) (c)
Michael A. Carpenter (d)	DSU		1,000.1	$ 7,813,654
	IRSU	01/28/2010	50.6	395,096
	IRSU	12/16/2010	192.0	1,500,000
James G. Mackey	DSU		143.4	1,119,964
	IRSU	12/16/2010	102.8	802,987
Jeffrey J. Brown	DSU		300.8	2,350,000
	IRSU	12/16/2010	179.2	1,400,000
Thomas Marano	DSU		568.0	4,437,500
	IRSU	12/16/2010	316.0	2,468,750
Sanjay Gupta	DSU		282.7	2,208,333
	IRSU	12/16/2010	153.6	1,200,000
Robert S. Hull	DSU		98.9	772,500

(a) The DSU awards are granted ratably in each pay period.

(b) The award grants are expressed as phantom shares of Ally Financial.

(c) The grant date fair value amounts shown do not reflect realized cash compensation by the NEOs, which is described in the Stock Awards Vested Table for the awards. The value shown represents the computed fair value at the date of grant of each award in accordance with ASC 718, which was $7,812.5 per share for each award. For a further discussion of the valuation, see Note 25 to our Consolidated Financial Statements in this prospectus.

(d) The awards for Mr. Carpenter include 50.6 shares of IRSU awards with a grant date fair value of $395,096 that were granted in January 2010 for 2009 performance, per SEC rules.

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Outstanding Equity Awards at 2010 Fiscal Year End Stock Awards

The following table provides information for the named executive officers regarding the Ally RSU and IRSU awards outstanding at 2010 year-end.

Name	Grant date	Number of shares or units of stock that have not vested (#) (a)	Market value of shares or units of stock that have not vested ($) (a)
Michael A. Carpenter	01/28/2010	50.6	$ 523,014
	12/16/2010	192.0	1,985,648
James G. Mackey	12/31/2009	70.1	724,790
	12/16/2010	102.8	1,062,967
Jeffrey J. Brown	12/31/2009	157.6	1,629,579
	12/16/2010	179.2	1,853,272
Thomas Marano (b)	10/28/2009	206.2	2,132,222
	12/31/2009	36.8	380,432
	12/16/2010	316.0	3,268,046
Sanjay Gupta	9/15/2008	25.3	261,817
	12/31/2009	166.4	1,720,895
	12/16/2010	153.6	1,588,519

(a) Amounts shown represent Ally RSU and IRSU awards granted to named executives that have not vested. The RSU awards vest ratably over five years and the IRSU awards cliff vest over three years, in each case subject to continued service with Ally. Each award represents one phantom share of Ally. The market value for each award is determined by the Board, as required by the plan, based on the fair value of Ally at December 31, 2010. The value for each share at December 31, 2010, was $10,342 as determined by Ally s Board of Directors. During 2010, 20% of Mr. Gupta s 2008 RSU grants vested. No portion of the 2009 or 2010 IRSU grants vested during 2010.

(b) Based on TARP restrictions a portion of Mr. Brown s and Mr. Marano s IRSU awards were converted to DSU awards. The balances shown here have been restated to include this conversion.

Options Exercised and Shares Vested in 2010

During 2010, no stock options were exercised by the named executive officers.

The following table reflects the Ally RSU awards that vested in 2010.

Name	Number of shares acquired on vesting (#) (a)(b)	Value realized on vesting ($) (b)(c)
Sanjay Gupta	12.7	$ 130,909

(a) Amount shown represents the 2010 vesting of the continued service portion of Mr. Gupta s 2008 RSU grant. Each unit represents one phantom share of Ally.

(b) In 2009, we included DSU awards, which vested at grant date, within the Options Exercised and Shares Vested in 2009 table. For 2010, we have included the DSU award information in the Nonqualified Deferred Compensation in 2010 table below to more accurately reflect the form of the awards.

(c) The value realized for the vested shares is determined by the Board, as required by the plan, based on the fair value of Ally.

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Nonqualified Deferred Compensation in 2010

The table below reflects year-end balances, company distributions, and all earnings associated primarily with the Ally nonqualified equalization plan. This plan allows company contributions to this plan to continue after the IRS maximum limits under our 401(k) plan have been reached.

Name	Plan name	Executive contributions in last FY ($)	Registrant contributions in last FY ($)	Aggregate earnings in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at last FYE ($)
Michael A. Carpenter	DSUs (a) (b)	$	$ 7,813,654	$ 2,646,654	$ 321,491	$ 10,821,255
James G. Mackey	DSUs (a) (b)		1,119,964	355,386	22,299	1,453,051
Jeffrey J. Brown	Nonqualified Benefit Equalization Plan (c)			2,137		24,772
	DSUs (a) (b)		2,350,000	745,149	53,611	3,046,658
Thomas Marano	Nonqualified Benefit Equalization Plan (c)			4,327		43,535
	DSUs (a) (b)		4,437,500	1,571,141	238,648	6,423,855
Sanjay Gupta	Nonqualified Benefit Equalization Plan (c)			808		8,126
	DSUs (a) (b)		2,208,333	1,269,445	495,789	5,190,322
Roberts S. Hull (b)	Nonqualified Benefit Equalization Plan (c)			2,596		26,124
	DSUs (a) (b)		772,500	948,309	573,500	3,877,309

(a) In 2009, we included DSU awards, which vested at grant date, within the Options Exercised and Shares Vested in 2009 table. For 2010, we have included the DSU award information in the Nonqualified Deferred Compensation in 2010 table to more accurately reflect the form of the awards.

(b) The NEOs had outstanding DSU award values at December 31, 2009, of $682,438 for Mr. Carpenter, $5,120 for Mr. Brown, $653,862 for Mr. Marano, $2,208,333 for Mr. Gupta, and $2,730,000 for Mr. Hull.

(c) Ally maintains a nonqualified benefit equalization plan for highly-compensated employees, including the NEOs. This plan is a nonqualified savings plan designed to allow for the equalization of benefits for highly compensated employees under the Ally 401K Program when such employees contribution and benefit levels exceed the maximum limitations on contributions and benefits imposed by Section 2004 of the Employee Retirement Income Security Act of 1974, as amended, and Section 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended. This plan is maintained as an unfunded plan and all expenses for administration of the plan and payment of amounts to participants are borne by Ally. Each participant is credited with earnings based on a set of investment options selected by the participant similar to 401(k) investment option to all employees. Pursuant to the Special Master s determination letter dated October 22, 2009, contributions to this plan were suspended. Therefore, the amounts shown reflect contributions made by the Company prior to receipt of the determination letter.

Executive Compensation Post-employment and Termination Benefits

As a condition to participating in TARP, Ally s NEOs and next five highest paid employees waived any right to severance in the event of their termination of employment. These waivers apply until Ally repays its TARP obligations to Treasury. At December 31, 2010, none of our NEOs were eligible to retire under any qualified or nonqualified Ally retirement plan.

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Ally Financial Inc. 2011 Incentive Compensation Plan

We have adopted the Ally Financial Inc. 2011 Incentive Compensation Plan (the 2011 Incentive Plan), which allows us to grant an array of equity-based and cash incentive awards to our NEOs and other employees and service providers (other than our non-employee directors). The purpose of the 2011 Incentive Plan is to motivate and reward those employees and other individuals who are expected to contribute significantly to our success.

Plan Term. The 2011 Incentive Plan expires after ten years, unless prior to that date the maximum number of our common shares available for issuance under the 2011 Incentive Plan has been issued or our Board of Directors terminates the 2011 Incentive Plan.

Authorized Shares. Subject to adjustment as described below, shares of our common stock are available for awards to be granted under the 2011 Incentive Plan and awards granted under the Ally Financial Inc. Long-Term Equity Compensation Incentive Plan that will settle in shares of our common stock following the closing of this offering. No participant may receive under the 2011 Incentive Plan in any three consecutive calendar years stock options and stock appreciation rights that relate to more than shares and restricted stock, restricted stock units, performance awards and other stock-based awards (to the extent that such awards are denominated in shares and intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code)) that relate to more than shares. Generally, if an award expires or is canceled, forfeited or settled in cash, then the shares covered by such award again will be available for issuance under the 2011 Incentive Plan. Shares tendered or withheld in payment of an exercise price or for withholding taxes also again will be available for issuance under the 2011 Incentive Plan.

Administration. The CNG Committee or such other committee as designated by the Board of Directors administers the 2011 Incentive Plan and has authority to select individuals to whom awards are granted and determine the types of awards and number of shares covered and the terms and conditions of awards, including the applicable vesting schedule, performance conditions and whether the award will settle in cash or shares.

Types of Awards. The 2011 Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards (cash-based and share-based) and other stock-based awards.

Stock Options. A stock option is a contractual right to purchase shares at a future date at a specified exercise price. Generally, the per share exercise price of a stock option will be determined by the CNG Committee or such other committee as designated by the Board of Directors but may not be less than the closing price of a share of our common stock on the grant date. The CNG Committee or such other committee as designated by the Board of Directors will determine the date after which each stock option may be exercised and the expiration date of each option; however, no stock option will be exercisable more than ten years from the grant date. Stock options that are intended to qualify as incentive stock options must meet the requirements of Section 422 of the Code.

Stock Appreciation Rights. A stock appreciation right is a contractual right to receive, in cash or shares, an amount equal to the appreciation of one share of our common stock from the grant date. Any stock appreciation right will be granted subject to the same terms and conditions as apply to stock options, as described above.

Restricted Stock. Restricted stock is an award of shares of our common stock that are subject to restrictions on transfer and a substantial risk of forfeiture.

Restricted Stock Units. Restricted stock units represent a contractual right to receive the value of a share of our common stock at a future date, subject to specified vesting and other restrictions.

Performance Awards. Performance awards, which may be denominated in cash or shares, will be earned upon the satisfaction of performance conditions specified by the CNG Committee or such other committee as designated by the Board of Directors, which has authority to specify that any other award

granted under the 2011 Incentive Plan will constitute a performance award by conditioning the exercisability or settlement of the award upon the satisfaction of performance conditions. The performance conditions with respect to awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code will be limited to overhead costs, general and administration expense, market price of our common stock, cash flow, reserve value, net asset value, earnings, net income, operating income, cash from operations, revenue growth, margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, reserve replacement, return on equity, return on capital employed, production, assets, unit volume, sales, market share, or strategic business criteria consisting of one or more objectives based on meeting specified goals relating to acquisitions or divestitures, each as determined in accordance with generally accepted accounting principles, where applicable, as consistently applied by us. These performance criteria may be measured on an absolute (*e.g.*, plan or budget) or relative basis. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices. The amount of any performance awards denominated in cash that is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code that may be earned in any calendar year may not exceed $10,000,000.

Other Stock-Based Awards. The CNG Committee or such other committee as designated by the Board of Directors is authorized to grant other stock-based awards, which may be denominated in our common shares or factors that may influence the value of our common shares, including convertible or exchangeable debt securities, other rights convertible or exchangeable into shares, purchase rights for shares, awards with value and payment contingent upon our performance or business units or any other factors that the committee specifies.

Eligibility. Our employees, consultants, advisors and other service providers (other than our non-employee directors) are eligible to receive awards under the 2011 Incentive Plan.

Adjustments. If necessary to prevent dilution or enlargement of benefits or potential benefits under the 2011 Incentive Plan, the CNG Committee or such other committee as designated by the Board of Directors will adjust equitably the terms of any outstanding awards and the number of our common shares issuable under the 2011 Incentive Plan to reflect any change in our common shares resulting from a dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of our common shares or other securities or any other similar corporate transaction or event affecting our common shares.

Termination of Service and Change in Control. Except as otherwise provided in an award agreement, all unvested awards will be forfeited upon a participant s termination of service other than death, disability, retirement, termination as a result of a sale of a business unit, termination by us without cause and a qualifying termination by the participant (as such terms are defined in the 2011 Incentive Plan), in which events all or portions of the participant s unvested awards will become nonforfeitable and options and stock appreciation rights will be immediately exercisable and will remain outstanding for one year from the date of termination of service. In the event of a change in control (as defined in the 2011 Incentive Plan), all outstanding stock options, stock appreciation rights and restricted stock units not continued in effect or converted into similar awards of the survivor or successor corporation will vest upon the change in control, and all outstanding stock options, stock appreciation rights and restricted stock units so continued or converted will vest upon the occurrence of the participant s termination of service without cause or a qualifying termination by him or her within twelve months following the change in control.

Amendment and Termination. Our Board of Directors may amend, alter, suspend, discontinue or terminate the 2011 Incentive Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law. The CNG Committee or such other committee as designated by the Board of Directors may amend, alter, suspend, discontinue or terminate any outstanding award. However, no such board or committee action that would materially adversely affect the rights of a holder of an outstanding award may be taken without the holder s consent. The CNG Committee or such other committee as designated by the Board of Directors also may not lower the per share exercise price of a stock option or stock appreciation right or cancel a stock option or a stock appreciation right in exchange for cash or another award when the per share exercise price exceeds the fair market value (other than in connection with a change in control or other corporation transaction necessitating an anti-dilution type adjustment in the outstanding stock options or stock appreciation rights).

Initial Awards in Connection with This Offering. In connection with this offering, we plan to make grants of restricted stock units to substantially all of our employees. The grant date fair value of each grant will range from a minimum of $100 to a maximum of $1,500. These restricted stock units will cliff vest three years from the date of grant and in the case of our U.S.-based employees, settle in shares and in the case of our employees based outside of the United States, settle in cash.

Ally Financial Inc. 2011 Executive Performance Plan

We have adopted the Ally Financial Inc. 2011 Executive Performance Plan (the 2011 Executive Performance Plan), which allows us to grant incentive compensation awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code to certain executive officers. The purpose of the 2011 Executive Performance Plan is to attract and retain executive officers who can make significant contributions to our success by providing incentives and financial rewards to such executive officers.

Administration. The CNG Committee administers the 2011 Executive Performance Plan and has authority to select plan participants, determine the terms and conditions of each incentive award granted under the 2011 Executive Performance Plan, certify the calculation of performance metrics based on which the awards are paid and the amount payable to each participant, determine the time when incentive awards will be paid and the form of such payment, determine whether and to what extent any incentive award will be reduced based on such factors as the CNG Committee deems appropriate in its discretion, determine whether payment of awards may be in shares of our common stock or may be deferred, interpret and administer the 2011 Executive Performance Plan and any instrument or agreement entered into in connection with the 2011 Executive Performance Plan, correct any defect, supply any omission or reconcile any inconsistency in the 2011 Executive Performance Plan or any incentive award in the manner and to the extent that the CNG Committee deems desirable to carry it into effect, establish such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the 2011 Executive Performance Plan, and make any other determination and take any other action that the CNG Committee deems necessary or desirable for administration of the 2011 Executive Performance Plan.

Eligibility. Participants of the 2011 Executive Performance Plan are our Chief Executive Officer and other executive officers of the Company or a subsidiary selected by the CNG Committee.

Performance Period. The performance period underlying each incentive award will be our fiscal year or another period not exceeding five years in length established by the CNG Committee. No later than 90 days after the commencement of each fiscal year, the CNG Committee will designate one or more performance periods for such fiscal year as well as the participants for such performance period(s).

Incentive Awards. The incentive award will be an amount equal to 2.0%, in the case of our Chief Executive Officer and 1.0%, in the case of each other participant, of our core pre-tax income for each calendar year in the performance period (proportionately adjusted for any portion of the performance period that is less than a full calendar year). The amount of incentive award actually paid to a participant will be determined by the CNG Committee based on factors it deems appropriate and may not exceed the original amount of the incentive award established using the formula above.

Termination of Service. All unpaid incentive awards will be forfeited upon a participant s termination of service, except that in the event of the participant s death, disability, retirement, termination by us without cause and a qualifying termination (as such terms are defined in the 2011 Incentive Plan) during a performance period, the CNG Committee may proportionately reduce the incentive award payable to such participant based on the period of his or her actual employment during the applicable performance period.

Amendment and Termination. Our Board of Directors may alter, amend, suspend or terminate the 2011 Executive Performance Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law, including Section 162(m) of the Code. No amendment to, or termination of, the 2011 Executive Performance Plan may impair the rights of a participant under any incentive award previously granted without such participant s consent.

Ally Financial Inc. Employee Stock Purchase Plan

We have adopted the Ally Financial Inc. Employee Stock Purchase Plan (the ESPP), the purpose of which is to provide our employees with an opportunity to purchase our stock at a discount and thus encourage broad-based employee ownership of our stock. The ESPP has two components: The Section 423 component is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Code and will be construed so as to extend and limit participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code; the non-Section 423 component is not intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Code and purchase rights under that component will be granted pursuant to rules, procedures, or sub-plans set forth by us to achieve such tax, legal, or other objectives for eligible employees and us as we deem appropriate.

Authorized Shares. The aggregate number of shares authorized for sale under the ESPP (for both Section 423 and Non-Section 423 components) is .

Administration. The CNG Committee administers the ESPP and has authority to interpret, construe, apply and make final determinations regarding the ESPP, including authority to determine eligibility under both components of the ESPP and the terms and conditions of any purchase right under the ESPP.

Offering Period. The initial offering period under the ESPP will commence as soon as practicable following the closing of this offering. This initial offering period will expire not sooner than six months after the consummation of this offering. Subsequently, the ESPP will have consecutive offering periods with a new offering period commencing approximately every six months, as determined by the CNG Committee.

Eligibility. Any of our active employees (including active employees of our designated subsidiaries and affiliates) on a given offering date (*i.e.*, the first trading day of an offering period) is eligible to participate in the ESPP; however, employees who are citizens or residents of a non-U.S. jurisdiction may be excluded from participation in the ESPP or an offering if participation is prohibited under applicable local law or if complying with applicable local laws would cause the ESPP or an offering to violate Section 423 of the Code. Additionally, no employee may be granted a purchase right under the Section 423 component of the ESPP if immediately after the grant such employee would own our capital stock and/or hold outstanding purchase rights to purchase capital stock possessing 5% or more of the total combined voting power or value of all classes of our capital stock, or if his or her rights to purchase capital stock under all of our employee stock purchase plans accrues at a rate that exceeds $25,000 worth of such stock (determined at the fair market value of the shares of such stock at the time such purchase right is granted) for each calendar year in which such purchase right is both outstanding and exercisable.

Enrollment and Contribution. An eligible employee may become a participant in the ESPP by completing, within the prescribed enrollment period prior to the applicable offering date, a participation election, at which time he or she may elect to have payroll deductions made on each pay day during the applicable offering period in an amount not exceeding 10% of the compensation he or she receives on each pay day during the offering period.

Purchase Right. On the offering date of each offering period, each eligible employee participating in the offering period will be granted a right to purchase on the purchase date (*i.e.*, the last trading day of the offering period) a number of shares determined by dividing such employee s payroll deductions accumulated prior to the purchase date by the applicable purchase price, which will be no less than the lower of 85% of the closing price of a share of our common stock on the offering date or 85% of the closing price of a share of our common stock on the purchase date. In no event will an eligible employee be permitted to purchase during any offering period more than 100,000 shares; however, the CNG Committee may, for future offering period, increase or decrease the maximum number of shares that an eligible employee may purchase during each offering period.

Purchase of Shares. On the purchase date, the maximum number of shares that may be purchased with the accumulated payroll deductions in the participant s account will be purchased for the participant at the applicable purchase price (as described above). Fractional shares may not be purchased, and any payroll deductions accumulated in a participant s account that are not sufficient to purchase a full share will, at our discretion, be returned to the participant or be retained in the participant s account for the subsequent offering period.

Delivery of Shares. As soon as reasonably practicable after each purchase date on which a purchase occurs, we will arrange for the delivery to each participant of the shares purchased to the participant s brokerage or plan account in a form determined by us.

Withdrawal. A participant may withdraw all, but not less than all, the payroll deductions credited to his or her account and not yet used to purchase shares under the ESPP by giving notice in a form or manner and time prescribed by us prior each purchase date.

Termination of Employment. Unless otherwise determined by us, upon a participant s employment termination for any reason, he or she will be deemed to have elected to withdraw from the ESPP and the payroll deductions credited to his or her account during the offering period but not yet used to purchase shares under the ESPP will be returned to him or her.

Change in Control. In the event of a change in control (as defined in the ESPP), the offering period then in progress will be shortened and end on a new purchase date, which will be before the date of the proposed merger or change in control. We will notify each participant in writing, at least ten business days prior to the new purchase date, that the purchase date for the applicable period has been changed to the new purchase date and that shares will be purchased automatically for the participant on the new purchase date. The CNG Committee may provide for an alternative process that provides participants with the economic equivalent of the benefits described above.

Adjustments. The CNG Committee may proportionately adjust the maximum number of shares available under the ESPP, the maximum number of shares each participant may purchase during the offering period or over a calendar year under the $25,000 limitation and the per share price used to determine the purchase price for any increase or decrease in the number of issued shares resulting from any nonreciprocal transaction between us and our stockholders (*e.g.*, a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend) that affects our common stock or the price of our common stock and cause a change in the per share value of the shares underlying outstanding purchase rights.

Amendment and Termination. Subject to any applicable law or government regulation and to the rules of the stock exchange on which our common shares are principally traded, our Board of Directors may amend, modify, suspend or terminate the ESPP without the approval of our shareholders; however, no amendment may make any change in any purchase right previously granted that adversely affects the rights of any participant without the consent of the affected participant. To comply with Section 423 of the Code, we will obtain shareholder approval of any amendment in such a manner and to such a degree as required. Without shareholder approval and without regard to whether any participant rights may be considered to have been adversely affected, the CNG Committee may change the offering periods, limit the frequency or number of changes in the amount withheld during an offering period, establish the exchange rate applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant to adjust for delays or mistakes in our processing of any properly completed participation election, establish reasonable waiting and adjustment periods, accounting, or crediting procedures to ensure that amounts applied toward the purchase of shares for each participant properly correspond with amounts withheld from the participant s compensation and establish such other limitations or procedures as the CNG Committee determines.

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Director Compensation

Employee directors do not receive any separate compensation for their Board activities. Nonemployee directors receive the compensation described below.

For 2010, each nonemployee director received an annual retainer of $180,000. In addition to the annual retainer, nonemployee directors who serve as a chair of a standing committee receives a retainer for such service in the amount of $45,000 for the chair of the Audit Committee and $25,000 for the chair of the other Board committees. Additional members of each committee receive a retainer for such service in the amount of $20,000 for the Audit Committee and $10,000 for the other Board committees. In addition, the Chair of the Board receives an additional retainer of $120,000 per year. Each nonemployee director also receives meeting fees when Board and committee meetings exceed four per year. Meeting fees are $1,500 for each in-person meeting and telephonic meeting lasting more than one hour and $750 for each telephonic meeting lasting less than one hour.

Changes to the director compensation program have been approved for 2011. The annual retainer for service on the Board will remain at $180,000, but $110,000 will be paid in the form of deferred stock units rather than cash. Deferred stock units are immediately vested, but not payable until after leaving the Board and, at the discretion of the Board, may be paid in common shares. The additional retainer paid to nonemployee directors who serve as a chair of a standing committee will be increased to $50,000 each. Other nonemployee directors who serve as members of committees will have their additional retainers increased to $20,000 each. The additional retainer paid to the Chair of the Board will be increased to $250,000 and will be paid half in cash and half in deferred stock units. Meeting fees will remain at the same level but will be paid when Board and committee meetings exceed eight per year instead of four per year.

Nonemployee directors are reimbursed for travel expenses incurred in conjunction with their duties as directors. Furthermore, Ally will provide the broadest form of indemnification under Delaware law under which liabilities may arise as a result of their role on the Board and payments for reimbursements for expenses incurred by a director in defending against claims in connection with their role, and the director satisfies the statutory standard of care.

The following table provides compensation for nonemployee directors who served during fiscal 2010.

Director name	Annual retainer ($) (a)	Committee chair or member/chair of Board fees ($) (a)	Additional meeting fees ($)	Total fees earned or paid in cash ($) (a)
Robert T. Blakely	$ 180,000	$ 59,062	$ 42,750	$ 281,812
Mayree C. Clark	180,000	57,980	49,500	287,480
Kim S. Fennebresque	180,000	33,124	30,000	243,124
Franklin W. Hobbs	180,000	145,192	39,000	364,192
Steven Feinberg				
Marjorie Magner	110,713	23,069	24,750	158,532
John J. Stack	129,452	26,768	33,000	189,220

(a) The retainer and fees for our nonemployee directors were prorated based on when each director served on the Board and their respective committees.

Ally Financial Inc. 2011 Non-Employee Directors Equity Compensation Plan

We have adopted the Ally Financial Inc. 2011 Non-Employee Directors Equity Compensation Plan (the 2011 Directors Plan), which allows us to grant restricted stock units to our non-employee directors. The purpose of the 2011 Directors Plan is to attract and retain the services of our experienced non-employee directors.

Plan Term. The 2011 Directors Plan expires after ten years, unless prior to that date the maximum number of our common shares available for issuance under the 2011 Directors Plan has been issued or our Board of Directors terminates the 2011 Directors Plan.

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Authorized Shares. Subject to adjustment as described below, shares of our common stock are available for awards to be granted under the 2011 Directors Plan.

Administration. Our CNG Committee (or other committee of our Board of Directors, as designated, or if no committee is designated, the Board of Directors) administers the 2011 Directors Plan and has authority to select individuals to whom awards are granted and interpret and administer the 2011 Directors Plan and any instrument or agreement relating to, or award made under, the 2011 Directors Plan.

Types of Awards. The 2011 Directors Plan provides for grants of stock options, DSUs and shares of our common stock.

Eligibility. Each member of our Board of Directors who is not our employee is eligible to receive awards under the 2011 Directors Plan.

Adjustments. If necessary to prevent diminution or enlargement of benefits or potential benefits under the 2011 Directors Plan, our CNG Committee (or other committee of our Board of Directors, as designated, or if no committee is designated, the Board of Directors) will adjust equitably the terms of any outstanding awards and the number of our common shares issuable under the 2011 Directors Plan to reflect any change in our common shares resulting from a dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of our common shares or other securities or any other similar corporate transaction or event affecting our common shares.

Initial Award. Each director who is in office as of, and will continue in office following, , 2011 will receive a one-time award of DSUs (with each DSU representing a right to receive the value of one share of our common stock on the terms and conditions set forth in the 2011 Directors Plan and the applicable award agreement) equal to the quotient of (i) $110,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU. Each new director who joins our Board of Directors for the first time following , 2011 will also receive a one-time award of DSUs equal to the quotient of (i) $110,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU.

Annual Award. Beginning at our Annual Meeting of Shareholders in 2012 and at each Annual Meeting of Shareholders thereafter, each director who is to continue in service following such meeting will receive an award of DSUs equal to the quotient of (i) $110,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU. Each director who joins our Board of Director following the grant date of an annual award but prior to the date of our next Annual Meeting of Shareholders will receive a prorated annual award.

Vesting and Settlement. Each initial award, annual award and prorated award will vest and settle pursuant to the terms of the applicable award agreement.

Termination of Service and Change in Control. Except as otherwise provided in an award agreement, all unvested awards will be forfeited upon a participant s termination of service other than death and disability, in which events all of the participant s unvested awards will become nonforfeitable. In the event of a change in control (as defined in the 2011 Incentive Plan), all outstanding awards will vest and be immediately due and payable.

Amendment and Termination. Our Board of Directors may amend, alter, suspend, discontinue or terminate the 2011 Directors Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law. Our CNG Committee (or other committee of our Board of Directors, as designated, or if no committee is designated, the Board of Directors) may also amend, alter, suspend, discontinue or terminate any outstanding award. However, no such board or committee action that would materially adversely affect the rights of a holder of an outstanding award may be taken without the holder s consent.

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CERTAIN STOCKHOLDER AGREEMENTS

Amended and Restated Governance Agreement

On May 21, 2009, Ally, FIM Holdings LLC (FIM), GM Finance Co. Holdings LLC (GM HoldCo) and Treasury entered into an amended and restated Governance Agreement in order to amend and restate certain understandings between the parties regarding the composition of Ally s Board of Directors previously set forth in the Governance Agreement, dated as of January 16, 2009, as amended by Amendment No. 1 thereto, dated as of March 24, 2009, and by Amendment No. 2 thereto, dated as of May 21, 2009.

On December 30, 2010, 110,000,000 shares of Ally s Series F-2 preferred stock held by Treasury was converted into common stock of Ally (the MCP Conversion).

Following the MCP Conversion, the Governance Agreement established the number of directors and the composition of the Board of Directors based upon the percentage of common stock held by Treasury. To the extent certain minimum common stock ownership percentages were met, the Governance Agreement provided Treasury and FIM with the right to designate a specified number of directors to the Board of Directors and for FIM and GM HoldCo to appoint non-voting observers to the Board of Directors.

The Governance Agreement terminates upon the earlier to occur of (i) when Treasury and the UST Trust collectively cease to hold at least 9.9% of Ally s common stock and (ii) when any party to the Governance Agreement ceases to own any common stock of Ally (other than Treasury).

Registration Rights Agreement

Pursuant to a Registration Rights Agreement, which is included as Exhibit A to Ally s Bylaws, Ally granted eligible holders registration rights with respect to certain securities of the Company.

For purposes of the Registration Rights Agreement, registrable securities consist of Ally s common stock and all equity securities issued or otherwise distributed in respect of Ally s common stock in a stock or other equity split or combination, or a stock or other equity dividend, or in connection with certain specified events, including a merger, conversion, recapitalization, reclassification or reorganization, in each case held by eligible holders. Eligible holders include holders of Common Membership Interests of GMAC LLC as of May 22, 2009 and holders that acquired registrable securities from such persons in transactions not consummated on a national securities exchange and not registered under the Securities Act.

Any particular registrable securities shall cease to be registrable securities for purposes of the Registration Rights Agreement when they have been distributed to the public through a registered offering, when they have otherwise been sold on a national securities exchange and when they have been repurchased by Ally or a subsidiary of Ally.

Shelf Registrations

The Registration Rights Agreement provides that, subject to certain limitations, at any time that Ally is eligible to use Form S-3, Ally will file a shelf registration statement covering all registrable securities and, if such shelf registration statement is not automatically effective, use commercially reasonable best efforts to cause the shelf registration statement to be declared effective. Once it is effective, Ally is required to use commercially reasonable best efforts to keep the shelf registration statement continuously effective and usable for resale of registrable securities until there are no registrable securities held by eligible holders or all registrable securities may be sold without restriction under Rule 144.

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The Registration Rights Agreement provides that, subject to limitations described below, any holder with registrable securities registered pursuant to a shelf registration may effect an underwritten offering of its registrable securities after delivery of advance notice to the Company, provided that the Company is not required to facilitate an underwritten offering unless either registrable securities representing at least 2% of the then outstanding class of such registrable securities are proposed by the eligible holders to be included in such offering or the expected aggregate gross proceeds from such offering exceed $200 million. The other holders shall have the right to elect to include in such underwritten offering such portion of their registrable securities as they may request, subject to underwriter cutback provisions. The Registration Rights Agreement also provides that, after the effective date of a shelf registration date but before December 24, 2011, non-underwritten sales or distributions of registrable securities by a holder must not be in excess of the volume limitations of Rule 144.

Demand Registration Rights

So long as Ally does not have an effective shelf registration statement with respect to the registrable securities, any eligible holder may request registration of all or a portion of its registrable securities (a Demand Registration). Demand Registrations are limited to registration of an aggregate number of registrable securities representing at least 2% of the outstanding class of such registrable securities or registrable securities having a value of at least $200 million. Ally shall not be obligated to effectuate more than 3 Demand Registrations in any 12-month period or any non-underwritten offering for registrable securities that could otherwise be sold without restriction under Rule 144. Additionally, Ally may postpone for up to 90 days the filing or effectiveness of, or, if already effective, suspend a Demand Registration upon a good faith determination by the Board of Directors that the failure to do so would have a material adverse effect on certain proposed transactions. However, the Company may not delay a Demand Registration more than once in any 12-month period and only if holders of similar securities with registration rights have been subject to a similar limitation.

Piggyback Registration Rights

Provided that a shelf registration statement is not in effect at the time, any time Ally proposes to register equity securities under the Securities Act or proposes to undertake an underwritten offering of equity securities (each a Piggyback Registration), Ally must, subject to certain limitations, promptly notify all eligible holders of registrable securities of its intention to do so and must include, on the same terms and conditions, any registrable securities that are requested to be included by such eligible holders in writing.

Holdback Agreements

Ally may not effect any public sale or distribution of equity securities (1) during the 10-day period preceding and the 75-day period following the effective date of any underwritten Demand Registration or Piggyback Registration or (2) the period commencing on the date Ally is notified that an eligible holder intends to undertake an underwritten shelf offering and ending 75 days after commencement of such underwritten shelf offering, unless the managing underwriters agree to a shorter period.

If Ally has previously filed a registration statement with respect to registrable securities pursuant to a Demand Registration or a Piggyback Registration or if an underwritten shelf offering has commenced, Ally may not file or cause or permit to be effective any other registration of any of its equity securities until at least 60 days have elapsed from the relevant effective date or commencement date, as applicable.

The Registration Rights Agreement provides that until December 24, 2011, in connection with any underwritten shelf offering and underwritten demand registration, no eligible holder (excluding Treasury and the GM Trust) may effect any sale or distribution of any registrable securities of the Company, other securities of the Company, or of securities convertible into or exchangeable for other securities of the Company during the 10 days prior to, and during the period (established by the managing underwriters) beginning on, the closing date of the sale of such securities pursuant to an effective registration statement. Subject to the qualifications below, this holdback period shall not exceed 190 days in the case of this offering or 100 days in the case of other offerings. If Treasury s participation in an offering (other than this offering) accounted for 90% or more of all registrable securities sold in the offering and any eligible holder s participation was restricted as a result of the underwriter s cutback described above, the holdback period for such eligible holder may not exceed 30 days.

Indemnification and Contribution

Under the Registration Rights Agreement, Ally agrees, subject to certain limitations, to indemnify each holder of registrable securities, its officers, directors, managers and partners, and each person controlling such holder against all losses, claims, actions, damages, liabilities and expenses in certain circumstances and to pay any expenses reasonably incurred in connection investigating, preparing or defending these; except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder s failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same.

Letter Agreement with Treasury

On February 17, 2011, Ally and Treasury entered into a letter agreement in connection with this offering which provides, among other things, that Ally will 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 security holder incurred in connection with the sale.

Registration Rights Agreements with Treasury and Preferred Stockholders

Units

Pursuant to a Letter Agreement (including the Securities Purchase Agreement and the other documents incorporated by reference therein) with Treasury dated May 21, 2009, Ally agreed that, subject to certain limitations, it would prepare and file with the SEC a shelf registration statement covering all of the Units (since the Units are being issued in exchange for Series F-2 preferred stock held by Treasury) and to the extent the shelf registration statement was not declared effective or not automatically effective upon such filing, Ally would use its reasonable best efforts to cause such shelf registration statement to be declared effective and to keep such shelf registration statement continuously effective until such time as the Units (i) are sold pursuant to an effective registration statement, (ii) may be sold pursuant to Rule 144 without limitation thereunder on volume or manner of sale, (iii) have ceased to be outstanding or (iv) have been sold in a private transaction in which the transferor s right under the agreement are not assigned to the transferee. Notwithstanding the foregoing, if Ally is not eligible to file a registration statement on Form S-3, then Ally is not obligated to file a shelf registration statement unless and until requested to do so in writing by Treasury.

The agreement provides that the holders of the Units may effect an underwritten offering of their Units; provided that Ally is not required to facilitate an underwritten offering unless the expected gross proceeds from such offering exceed $200 million.

Ally shall not be required to effect a registration or an underwritten offering of the Units if Ally has notified the holders of the Units that in the good faith judgment of the Board of Directors, it would be materially detrimental to Ally or its securityholders for such registration or underwritten offering to be effected at such time, Ally shall have the right to defer such registration for not more than 45 days. However, Ally may not delay a registration or underwritten offering more than three times in any 12-month period and more than 90 days in the aggregate in any 12-month period, and only if holders of similar securities with registration rights have been subject to a similar limitation.

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If during any period when an effective shelf registration statement is not available, Ally proposes to register any of its equity securities, and the registration form to be filed may be used for the registration of the Units, Ally will promptly notify (but in no event less than 10 days prior to the anticipated filing date) the holders of Units of its intention to do so and, subject to certain limitations, will include any Units that are requested to be included by such holders in writing.

Series G Preferred Stock

On December 31, 2008, Ally and certain holders of the shares of Series G preferred stock entered into a registration rights agreement. Pursuant to the registration rights agreement, Ally has filed an effective shelf registration statement covering the Series G preferred stock and is required to use its commercially reasonable efforts to keep such shelf registration statement continuously effective for a year from the date such shelf registration statement is declared effective or such shorter period when all shares of the Series G preferred stock have been sold under the registration statement or when all shares of Series G preferred stock may be sold without restrictions under Rule 144. However, Ally may for a period of up to 60 days in any three-month period, not to exceed 90 days in any calendar year determine that the shelf registration statement is not usable under certain circumstances relating to corporate developments, public filings with the SEC and similar events, and suspend the use of the prospectus that is part of such shelf registration statement.

If Ally fails to keep the registration statement effective as required by the agreement, Ally will pay additional cumulative dividends of 0.25% per annum over the applicable dividend rate of the Series G preferred stock, until such failure is cured.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Certain relationships and related transactions are described below.

Relationship with General Motors

Products and Services Provided to GM

We provide various products and services to GM on terms comparable to those we provide to third parties. Except as described below, we currently expect to continue to provide these services to GM on an ongoing basis. These products and services include the following:

We provide wholesale and term-loan financing to dealerships that are either wholly owned by GM or in which GM has a controlling interest. The majority of these dealerships are located in the United States. At December 31, 2010, 2009, and 2008, finance receivables and loans to dealerships owned or majority-owned by GM totaled $301 million, $351 million, and $700 million, respectively.

Under wholesale financing arrangements, we lend money to GM-franchised dealers to finance their vehicle inventory purchases from GM. We advance the loan proceeds directly to GM. Under an agreement with GM, the advances were made before the date the vehicles were expected to be delivered to the dealers. We earned $178 million, $149 million, and $103 million of interest under the terms of this arrangement during the years ended December 31, 2010, 2009, and 2008, respectively. At the end of 2010 GM terminated this advance payment arrangement. We expect any remaining interest payments in 2011 in connection with the terminated arrangement to be minimal.

We provide operating leases to GM-affiliated entities for buildings with a net book value of $65 million at December 31, 2010. At December 31, 2009 and 2008, the net book value of operating leases we provided to GM-affiliated entities including vehicles, buildings, and other equipment was $69 million and $291 million, respectively. Lease revenues of $2 million, $9 million, and $13 million were received during the years ended December 31, 2010, 2009, and 2008, respectively.

We provide servicing for certain GM-owned U.S. operating lease assets distributed to GM on November 22, 2006. Servicing fees of $2 million, $25 million and $85 million were received for the years ended December 31, 2010, 2009, and 2008, respectively, related to this arrangement.

We received interest on notes receivable from GM of $9 million, $63 million, and $122 million during the years ended December 31, 2010, 2009, and 2008, respectively.

We have other lease arrangements whereby we lease facilities to GM whereby we have advanced $21 million, $29 million, and $29 million at December 31, 2010, 2009, and 2008, respectively. We receive leasing revenues under these arrangements for which we recognized lease property revenues of $3 million for each of the years ended December 31, 2010, 2009, and 2008.

In certain states, we provide insurance to GM for mechanical service contracts and for which we have recognized insurance premiums of $155 million, $159 million and $242 million for the years ended December 31, 2010, 2009, and 2008, respectively.

During the fourth quarter of 2008, we sold our global relocation business, which GM had used for certain relocations of their employees. GM paid $7 million for such services during the year ended December 31, 2008. In addition, GM paid mortgage-related fees for their employees of $2 million during the year ended December 31, 2008. At December 31, 2008, we recorded a receivable for these services from GM in the amount of $22 million.

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GM may elect to sponsor financing incentive programs for wholesale dealer financing, primarily in our International Automotive Finance operations. This is known as wholesale subvention. We received wholesale subvention and service fees of $189 million, $215 million, and $304 million for the years ended December 31, 2010, 2009, and 2008, respectively.

Support Services Provided by GM

GM historically has provided a variety of support services for our business, and we reimburse GM for the costs of providing these services to us. In addition, GM supports us by reimbursing us for certain programs it has with its customers or for expenses we may experience due to their business operations. The services GM provides us, including reimbursement arrangements, include:

GM may elect to sponsor incentive programs (on both retail contracts and leases) by supporting financing rates below standard rates at which we purchase retail contracts. In addition, under residual support programs, GM may upwardly adjust residual values above the standard lease rates. Out of our total new retail and lease contracts in North America and International, 51% and 43%, respectively, had rate or residual incentives for the year ended December 31, 2010; 69% and 53%, respectively, had rate or residual incentives for the year ended December 31, 2009; and 79% and 42%, respectively, had rate or residual incentives for the year ended December 31, 2008.

GM provides lease residual value support as a marketing incentive to encourage consumers to lease vehicles. GM reimburses us for its portion of the increased residual values to the extent the remarketing sales proceeds are less than the contract residual at termination. To the extent remarketing sales proceeds are more than the contract residual at termination, we reimburse GM for its portion of the lower residual value. We reimbursed GM $82 million in residual support for the year ended December 31, 2010. For the years ended December 31, 2009 and 2008, respectively, GM reimbursed us $195 million and $779 million in residual support.

GM provides financing rates below standard rates at which we purchase contracts (rate support). GM reimbursed us $674 million, $770 million and $985 million in rate support for the years ended December 31, 2010, 2009, and 2008, respectively.

We paid interest on loans from GM of $4 million, $46 million and $52 million during the years ended December 31, 2010, 2009, and 2008, respectively.

GM sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle. Under these programs, GM waives all or a portion of the customer s remaining payment obligations and compensates us for the waived payments, adjusted based on the remarketing results associated with the underlying vehicle. We reported net financing revenue from this compensation program of $15 million, $78 million and $66 million for the years ended December 31, 2010, 2009, and 2008, respectively.

GM reimburses us for certain selling expenses we may incur on certain vehicles sold by us at auction. We received reimbursements of $14 million, $26 million and $47 million for the years ended December 31, 2010, 2009, and 2008, respectively.

GM occasionally provides payment guarantees on certain commercial and dealer loans and receivables Ally has outstanding. The amount of commercial and dealer loans and receivables covered by a GM guarantee was $122 million, $68 million and $88 million at December 31, 2010, 2009, and 2008, respectively.

Certain arrangements existed whereby GM accounts for the sale of a vehicle at the time the vehicle is sold to us and delivered to a dealer on consignment from us. GM provided us with a guaranteed right of

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return for this inventory. At December 31, 2010, we had no vehicles with this right of return. At December 31, 2009 and 2008, we had $12 million and $141 million of vehicles, respectively, with this right of return. Similar arrangements existed whereby GM provided us with the option to take back the vehicles.

During 2010, 2009, and 2008, Promark Global Advisors (formerly known as GMIMCo), an indirect wholly owned subsidiary of GM, provided asset management services to Ally with respect to the investment of assets at our Insurance operations. The fees paid to Promark Global Advisors for these services were based on the costs associated with managing those assets. With respect to the management of these insurance assets, we incurred expenses of $2 million, $4 million and $5 million for the years ended December 31, 2010, 2009, and 2008, respectively. This relationship was terminated in August 2010.

GM provides us certain other services and facilities services for which we reimburse them. We made reimbursement payments to GM of $125 million, $111 million and $173 million for the years ended December 31, 2010, 2009 and 2008, respectively.

GM provides us certain marketing services for which we reimburse them. We made reimbursement payments to GM of $5 million, $11 million, and $29 million for the years ended December 31, 2010, 2009, and 2008, respectively.

During the year ended December 31, 2008, GM provided us certain legal, real estate, and tax services for which we paid GM $0.2 million.

We have accounts payable to GM that include wholesale settlements payments to GM, subvention receivables due from GM, and notes payable. The net balance outstanding for accounts payable was $227 million, $333 million, and $1,248 million for the years ended December 31, 2010, 2009, and 2008, respectively.

Credit Arrangements and Other Amounts Due from or Owed to GM

We have certain financing arrangements with GM with outstanding receivables totaling $483 million, $911 million, and $1,655 million for the years ended December 31, 2010, 2009, and 2008, respectively. These receivables include certain of our borrowing arrangements with vehicles consigned at dealerships, rental car vehicles awaiting sale at auction, and amounts related to other arrangements.

We provide wholesale financing to GM for vehicles in which GM retains title while the vehicles are consigned to Ally or dealers in the United Kingdom and Italy. The financing to GM remains outstanding until title is transferred to the dealers. The amount of financing provided to GM by Ally under this arrangement varies based on inventory levels. At December 31, 2010, 2009, and 2008, the amount of this financing outstanding was $446 million, $769 million, and $1,400 million, respectively.

In various countries in Europe, we were party to a Rental Fleet Agreement in which we agreed to buy from GM, on agreed terms reflecting fair value, all vehicles sold by GM to rental car companies that GM had become obligated to repurchase. The Rental Fleet Agreement provided for a true-up mechanism whereby GM was required to reimburse us to the extent the revenues we earned from the resale of the vehicles were less than the amount we paid GM to purchase such vehicles. At December 31, 2010, 2009, and 2008 we had a receivable in the amount of $38 million, $138 million, and $253 million, respectively, for providing this service.

During 2009 and 2008, we provided loans to minority-owned dealerships whereby GM reimbursed us for the full amount, and we recorded a payable until the dealer paid the loan balance. We recorded a payable to GM in the amount of $2 million and $4 million at December 31, 2009 and 2008, respectively.

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In previous years, we paid 70% of the total wholesale volume to GM in Finland. The remaining 30% was financed through loans from GM. At December 31, 2008, these loans had a balance of $19 million.

Capital Contributions Received from GM

During 2010, we did not receive any capital contributions from GM. During 2009 and 2008, GM made $1,280 million and $758 million in capital contributions, respectively.

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding beneficial ownership of our common stock as of June 30, 2011, by:

- each person whom we know to own beneficially more than 5% of our common stock;
- each of the directors and named executive officers individually;
- all directors and executive officers as a group; and
- the selling stockholder.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable pursuant to stock options that are exercisable within 60 days of June 30, 2011. Shares issuable pursuant to stock options are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person.

The percentage of beneficial ownership for the following table is based on 1,330,970 shares of common stock outstanding as of June 30, 2011.

We provide various products and services to GM, receive support services from GM, and have certain financing arrangements with GM. For additional information on our relationship with GM, see the section of this prospectus entitled Certain Relationships and Related Party Transactions.

	Shares Beneficially Owned Before the Offering				Shares Beneficially Owned After Offering (1)		Percentage Beneficially Owned After Offering (1)	
Name and Address of Beneficial owner	**Number**	**Percent**	**Number of Shares Being Offered**	**Number of Shares Subject to Over-allotment Option**	**Without Over-allotment Option**	**With Over-allotment Option**	**Without Over-allotment Option**	**With Over-allotment Option**
U.S. Department of Treasury (2) 1500 Pennsylvania Avenue Washington, D.C. 20220	981,971	73.78%						
Persons affiliated with Cerberus Capital Management, L.P. c/o Cerberus Capital Management, L.P. 299 Park Avenue, 22nd Floor New York, New York 10171	115,434	8.67%						
GMAC Common Equity Trust I (3) c/o Hillel Bennett Stroock & Stroock & Lavan 180 Maiden Lane New York, New York 10038-4982	132,280	9.94%						
All directors and executive officers of Ally Financial Inc. 200 Renaissance Center,	0	0%						

P.O. Box 200,
Detroit, MI 48265-2000

(1) Beneficial ownership includes the shares of our common stock that will be issued pursuant to the conversion described under Concurrent Transactions assuming the common stock offering price is the midpoint of the price range set forth on the cover of this prospectus but not the shares of our common stock issuable upon settlement of the purchase contracts that are components of the Units being offered in the concurrent offering.

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(2) The following description of the selling stockholder was provided by Treasury: Treasury is the executive agency of the U.S. government responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is responsible for a wide range of activities, such as advising the President of the United States on economic and financial issues, encouraging sustainable economic growth and fostering improved governance in financial institutions. Treasury operates and maintains systems that are critical to the nation s financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection and the borrowing of funds necessary to run the federal government. Treasury works with other federal agencies, foreign governments and international financial institutions to encourage global economic growth, raise standards of living and, to the extent possible, predict and prevent economic and financial crises. Treasury also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the United States, identifying and targeting the financial support networks of national security threats and improving the safeguards of our financial systems. In addition, under EESA, Treasury was given certain authority and facilities to restore the liquidity and stability of the financial system. See also the section of this prospectus entitled Risk Factors Risks Relating to this Offering and Ownership of Our Common Stock Treasury, the selling stockholder, is a federal agency, and your ability to bring a claim against it under the federal securities laws may be limited.

(3) On May 6, 2011, GM Finance Co. Holdings LLC (GM) transferred its holding of 4% of our outstanding common stock to GMAC Common Equity Trust I (GM Trust). As a result, GM Trust now holds 9.94% of our outstanding common stock. However, pursuant to the trust agreement of GM Trust, GM may cause the trustee to return all or any part of our common stock to GM, so long as GM s directly held voting and total common equity interests remain below 10% of our outstanding common stock.

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CONCURRENT TRANSACTIONS

Conversion and Exchange of Series F-2 Preferred Stock

Treasury currently holds 118,750,000 shares of our 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 (i) 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, and (ii) to 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 Units having an aggregate stated amount of $3 billion.

The number of shares of common stock we will 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 so that Treasury will receive additional shares of our common stock in connection with the offering.

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

Concurrent Units Offering

Treasury is offering in the concurrent Units offering a number of Units having an aggregate stated amount of $. 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. 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.

Each Unit has a stated amount of $ and is composed of a prepaid stock purchase contract and a junior subordinated amortizing note due , 2014. Each amortizing note has an initial principal amount of $ and a scheduled final installment payment date of , 2014.

On , 2014 (subject to postponement in certain limited circumstances), each purchase contract will automatically settle, unless settled earlier as described herein, and we will deliver a number of shares of our common stock based on the applicable market value of our common stock. The applicable market value is the average of the daily volume weighted average prices, or daily VWAPs, of our common stock on each of the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding , 2014.

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On the mandatory settlement date, each purchase contract will settle, unless settled earlier, as follows (subject to adjustment):

- if the applicable market value equals or exceeds the threshold appreciation price, which is $, the holder of such purchase contract will receive shares of our common stock;

- if the applicable market value is greater than $ but less than the threshold appreciation price, the holder of such purchase contract will receive a number of shares of our common stock having a value, based on the applicable market value, equal to $; and

- if the applicable market value is less than or equal to $, the holder of such purchase contract will receive shares of our common stock.

At any time prior to the close of business on the third scheduled trading day immediately preceding , 2014, a holder may settle a purchase contract early, and we will deliver shares of our common stock per purchase contract (subject to adjustment). In addition, if a fundamental change (as defined in the purchase contract agreement for the Units) occurs and a holder elects to settle its purchase contracts early in connection with such fundamental change, such holder will receive a number of shares of our common stock based on the fundamental change early settlement rate in accordance with the purchase contract agreement for the Units. We may elect to settle all, but not less than all, outstanding purchase contracts prior to , 2014 at the early mandatory settlement rate (as defined in the purchase contract agreement for the Units), upon a date fixed by us upon not less than 10 business days notice. Except for cash in lieu of fractional shares, the purchase contract holders will not receive any cash distributions under the purchase contracts.

The amortizing notes will pay holders equal quarterly cash installments of $ per amortizing note, which in the aggregate will be equivalent to % per year with respect to each $ stated amount of Units. Ally will have the right to defer installment payments at any time and from time to time under the circumstances, and subject to the conditions, set forth in the indenture for the amortizing notes, so long as such deferral period does not extend beyond , 2017. The amortizing notes will be our junior subordinated obligations, and will rank (i) junior both in liquidation and right of payment, to the extent set forth in our junior subordinated debt indenture, to all of our Senior Indebtedness (as defined in such indenture) and (ii) equally with all of our unsecured, junior subordinated indebtedness, whether currently existing or hereinafter created, other than junior subordinated indebtedness that is designated as junior to the amortizing notes. If we elect to settle the purchase contracts early, holders of Units will have the right to require us to repurchase their amortizing notes, except in certain limited circumstances.

Each Unit may be separated into its constituent purchase contract and amortizing note after the initial issuance date of the Units, and the separate components may be combined to create a Unit.

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DESCRIPTION OF CAPITAL STOCK

The following descriptions are summaries of the material terms of our Certificate of Incorporation and Bylaws that will be in effect upon the consummation of this offering. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, the Certificate of Incorporation and Bylaws, copies of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part, and applicable law.

General

Upon the consummation of this offering, our Certificate of Incorporation will authorize us to issue shares of capital stock, consisting of:

- shares of common stock, par value $0.01 per share; and
- 394,792,092 shares of preferred stock, par value $0.01 per share of which:
  - 160,870,560 are designated as Preferred Stock, Series A;
  - 8,330 are designated as Preferred Stock, Series C;
  - 2,576,601 are designated as Preferred Stock, Series E;
  - 228,750,000 are designated as Preferred Stock, Series F-2;
  - 2,576,601 are designated as Preferred Stock, Series G; and
  - are designated as Preferred Stock, Series H.

As of June 30, 2011, the following shares of capital stock were issued and outstanding:

- 1,330,970 shares of common stock;
- 40,870,560 shares of Series A preferred stock;
- 118,750,000 shares of Series F-2 preferred stock; and
- 2,576,601 shares of Series G preferred stock.

Upon consummation of this offering, no shares of our Series F-2 preferred stock will remain outstanding.

Common Stock

Common stock outstanding. As of June 30, 2011 there were 1,330,970 shares of common stock outstanding which were held of record by 189 stockholders. Further, we have reserved 690,272 of the remaining authorized but unissued shares of common stock for issuance in connection with any future conversion of Ally s Series F-2 preferred stock. All outstanding shares of common stock are fully paid and non-assessable.

Voting rights. The holders of common stock are entitled to one vote per share, except as provided by law or as may otherwise be provided in a certificate of designations designating the rights, powers and preferences of any series of preferred stock.

Unless otherwise required by law, our Certificate of Incorporation or our Bylaws, all matters subject to a stockholder vote will be decided by the vote of the holders of at least a majority of the outstanding shares of stock entitled to vote on the matter and present at the meeting in which the vote occurs. The election of directors will be decided by a plurality of the votes cast by the holders of common stock outstanding.

Dividend rights. Subject to the preferences that may be applicable to any outstanding preferred stock, dividends on common stock will be paid if, as, and when declared by the Board. See Dividend Policy.

Rights upon liquidation. In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the distribution rights of preferred stock, if any, then outstanding.

Other rights. There are no redemption or sinking fund provisions applicable to the common stock.

Preferred Stock

Description of Series A Preferred Stock

General

A total of 40,870,560 shares of the Series A preferred stock, liquidation amount $25 per share, are outstanding as of June 30, 2011. The Series A certificate of designations authorizes the issuance of up to a total of 160,870,560 shares of the Series A preferred stock. The Series A preferred stock have no maturity date. The holders of the Series A preferred stock are not entitled to preemptive rights, or to any similar rights.

Dividends

Holders of the Series A preferred stock are entitled to receive, when, as and if declared by the board of directors or a duly authorized committee of the board of directors, on each share of Series A preferred stock with respect to each dividend period, non-cumulative cash dividends at the fixed rate of 8.500% per annum on the liquidation amount from March 25, 2011 to but excluding May 15, 2016, quarterly in arrears, without accumulation of any undeclared dividends, commencing on May 15, 2011, and thereafter at a rate equal to Three-Month LIBOR plus 6.243%, quarterly in arrears, without accumulation of any undeclared dividends, commencing on May 15, 2016, in each case on the 15th day of February, May, August and November. Dividends payable on the Series A preferred stock on any dividend payment date will be payable to holders of record of such Series A preferred stock as they appear on Ally s stock register at the close of business on the preceding February 1, May 1, August 1 or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the board of directors or any duly authorized committee of the board of directors.

In the event that dividends payable on shares of Series A preferred stock with respect to a dividend period have not been paid in full on the dividend payment date, Ally will be prohibited, subject to certain exceptions, from (i) redeeming, purchasing or otherwise acquiring, directly or indirectly any Junior Stock (as defined below) or Parity Stock (as defined below), (ii) paying any dividends or making any distributions to any Junior Stock until such time as Ally has paid the dividends payable on shares of the Series A preferred stock with respect to a subsequent dividend period, and (iii) declaring or paying any dividend on any Parity Stock, except with respect to certain dividends payable solely in shares of Junior Stock or with respect to dividends declared on the Series A preferred stock such that the respective amounts of such dividends declared on the Series A preferred stock and each such other class or series of Parity Stock shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of the Series A preferred stock and such class or series of Parity Stock bear to each other.

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Junior Stock means (i) our common stock, (ii) our Series C preferred stock, and (iii) each class or series of our stock established on or after June 30, 2009, the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Series A preferred stock and the Parity Stock as to dividend rights or rights upon liquidation, winding-up or dissolution. We have no outstanding or authorized series of Junior Stock other than our common stock and Series C preferred stock.

Parity Stock means (i) each class or series of our preferred stock established after June 30, 2009, the terms of which expressly provide that such class or series will rank on a parity with the our Series E preferred stock, our Series F-2 preferred stock, our Series G preferred stock and the Series A preferred stock as to dividend rights and/or as to rights on our liquidation, dissolution or winding up (in each case without regard to whether dividends accrue cumulatively or non-cumulatively); (ii) the Series E preferred stock; (iii) the Series F-2 preferred stock; and (iv) the Series G preferred stock.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of the Series A preferred stock will be entitled to receive for each share of Series A preferred stock held by such holder, out of assets or proceeds thereof (whether capital or surplus) available for distribution and subject to the rights of Ally s creditors, before any distribution of such assets or proceeds is made or set aside for holders of Junior Stock or any other of our stock ranking junior to the Series A preferred stock as to such distribution, payment in full in an amount equal to the sum of the liquidation amount per share of Series A preferred stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment of such distribution.

Redemptions

We may not redeem the Series A preferred stock before May 15, 2016. Subject to (i) obtaining any required regulatory approvals, (ii) compliance with Ally s replacement capital covenant agreement entered into for the benefit of certain of its debtholders on November 30, 2006 and (iii) any restrictions imposed by our other series of outstanding preferred stock, our outstanding debt or agreements with the United States Department of the Treasury, we may redeem all or any portion of the outstanding shares of Series A preferred stock on any dividend payment date on or after May 15, 2016. A redemption date must fall on a date that is also a dividend payment date.

The redemption price for each share of Series A preferred stock will be equal to the sum of (i) the liquidation amount and (ii) any accrued and unpaid dividends for the period from and including the dividend payment date immediately preceding the redemption date to but excluding the redemption date. Payments of the redemption price will be made in cash in immediately available funds.

No Conversion Rights

Holders of the Series A preferred stock have no rights to exchange or convert their shares for or into any of our other capital stock or any other securities.

Voting Rights

If and when dividends on any shares of Series A preferred stock or any Parity Stock having similar voting rights shall have not been declared and paid for the equivalent of six or more dividend periods, whether or not consecutive (nonpayment), the holders, voting together as a class with holders of any and all other series of such Parity Stock then outstanding, will be entitled to vote for the election of a total of two additional members of the board of directors, subject to certain limitations. Such voting rights will continue until the dividends on the shares of the Series A preferred stock and any such series of Parity Stock shall have been fully paid for at least four regular dividend periods following the nonpayment. The foregoing voting rights will be divested if and

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when dividends for at least four regular dividend periods following a nonpayment have been fully paid on the Series A preferred stock and any other class or series of Parity Stock. In such event, the term of office of each director so elected shall terminate and the number of directors on the board of directors shall automatically be decreased by two.

In addition, the vote or consent of the holders of at least two-thirds of the shares of the Series A preferred stock is required for Ally to do the following (i) to authorize or issue certain equity securities of Ally that rank senior to the Series A preferred stock with respect to dividends or upon a sale or liquidation of Ally, (ii) to amend, alter or repeal any provision of the terms of the Series A preferred stock contained in Ally s Bylaws or Certificate of Incorporation, including the certificate of designations for the Series A preferred stock included therein, if such action would affect the Series A preferred stock in any manner materially adverse to the holders of the Series A preferred stock, or (iii) to the extent Ally has failed to pay dividends payable on shares of Series A preferred stock with respect to the immediately preceding dividend period, redeem, purchase or otherwise acquire, directly or indirectly, any Junior Stock or Parity Stock other than as permitted by the terms of the certificate of designations for the Series A preferred stock.

No Sinking Fund

The shares of Series A preferred stock do not have the benefit of any mandatory redemption, sinking fund or other similar provisions. Holders of the Series A preferred stock have no right to require redemption or repurchase of any shares of Series A preferred stock.

Description of Series G Preferred Stock

General

A total of 2,576,601 shares of the Series G preferred stock, liquidation amount $1,000 per share, are outstanding as of June 30, 2011, which constitutes all of the currently authorized shares pursuant to the Series G certificate of designations. The shares of Series G preferred stock have no maturity date. The holders of the Series G preferred stock are not entitled to preemptive rights, or to any similar rights.

Dividends

Holders of the Series G preferred stock are entitled to receive, if declared by the board of directors out of funds legally available for payment, cash dividends at a rate per annum of 7%, payable quarterly on February 15, May 15, August 15 and November 15 of each year.

Unless all accrued and unpaid dividends on the Series G preferred stock for all past dividend periods have been paid in full, we are not permitted to (i) make any Restricted Payments (as defined below); (ii) declare or pay any dividend or make any distribution of assets on any Parity Stock (as defined below), other than dividends or distributions in the form of shares of Parity Stock or Junior Stock (as defined below); or (iii) redeem, purchase or otherwise acquire any shares of Parity Stock, except upon conversion into or exchange for other Parity Stock or Junior Stock.

A Restricted Payment means (i) any dividend payment or distribution of assets on any share of Junior Stock, other than (1) distributions in the form of shares of Junior Stock and (2) certain tax distributions; (ii) any redemption, purchase or other acquisition of any shares of Junior Stock, other than upon conversion or exchange for other shares of Junior Stock, or (iii) any payment of monies, or making monies available, for a sinking fund for such Junior Stock.

Junior Stock means our common stock, our Series C preferred stock, and each class or series of our stock established on or after June 30, 2009, the terms of which stock do not expressly provide that such class or series ranks senior to or on a parity with the Series G preferred stock and the Parity Stock as to dividend rights or rights upon liquidation, winding-up or dissolution.

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Parity Stock means (i) each class or series of our preferred stock established after June 30, 2009, the terms of which expressly provide that such class or series will rank on a parity with our Series A preferred stock, our Series F-2 preferred stock and our Series G preferred stock as to dividend rights and/or as to rights on our liquidation, dissolution or winding-up (in each case without regard to whether dividends accrue cumulatively or non-cumulatively); (ii) our Series A preferred stock; and (iii) our Series F-2 preferred stock.

In addition, whether or not all accrued and unpaid dividends on the Series G preferred stock for all past dividend periods have been paid in full, we may not make dividend payments on our common stock before January 1, 2014 and dividend payments may be made 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.

Liquidation Rights

In the event of any liquidation, dissolution or winding-up of our affairs, whether voluntary or involuntary, the holder of the Series G preferred stock shall be entitled to receive for each share of Series G preferred stock held by them, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to our stockholders, subject to the rights of any of our creditors, before any distribution of such assets or proceeds is made to or set aside for the holders of our common stock and any of our other stock ranking junior to the Series G preferred stock as to such distribution, payment in full in an amount equal to the sum of (i) the liquidation amount and (ii) the amount of any accrued and unpaid dividends to the date of payment.

Redemptions

The Series G preferred stock may not be redeemed prior to December 31, 2011. On or after December 31, 2011, at our option and subject to any required regulatory approvals, we may redeem the Series G preferred stock, in whole or in part, at any time or from time to time, at a redemption price equal to the liquidation amount, plus the amount of any accrued and unpaid dividends thereon through the date of redemption.

Further, so long as any Series G preferred stock remains outstanding, if any shares of Parity Stock are redeemed, then shares of the Series G preferred stock shall also be redeemed on a pro rata basis based on the aggregate liquidation preference of the Series G preferred stock and such Parity Stock.

No Conversion Rights

Holders of the Series G preferred stock have no rights to exchange or convert their shares for or into any of our other capital stock or any other securities.

Voting Rights

The vote or consent of the holders of at least a majority of the outstanding shares of Series G preferred stock is necessary for any alteration, repeal or amendment, whether by merger, consolidation, combination, reclassification or otherwise, of any provisions of our certificate of incorporation or the certificate of designations if such action would amend, alter or affect the powers, preferences or rights of, or limitations relating to, the Series G preferred stock in any manner materially adverse to the holders of the Series G preferred stock, including, the creation of, increase in the authorized number of, or issuance of, any capital stock that ranks senior to the Series G preferred stock as to distribution rights or rights upon a sale of us or our liquidation, winding-up or dissolution.

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No Sinking Fund

The Series G preferred stock do not have the benefit of any mandatory redemption, sinking fund or other similar provisions. Holders of Series G preferred stock have no right to require redemption or repurchase of any shares of Series G preferred stock.

Purchase Contracts

General

None of the purchase contracts that are components of the Units being offered concurrently with this offering were outstanding as of June 30, 2011. However, if this offering and the transactions described under Concurrent Transactions are successfully completed, a total of purchase contracts (or if the underwriters in the concurrent Units offering exercise their over-allotment option in full) will be outstanding, all of which will initially be components of Units.

Mandatory Settlement

On , 2014 (subject to postponement in certain limited circumstances), each purchase contract will automatically settle, unless settled earlier as described below, and we will deliver a number of shares of our common stock based on the applicable market value of our common stock, as follows:

- If the applicable market value is equal to or greater than the threshold appreciation price (as defined below), holders will receive shares of common stock per purchase contract (the minimum settlement rate).
- If the applicable market value is greater than $ (the reference price) but less than the threshold appreciation price, holders will receive a number of shares per purchase contract equal to $, *divided by* the applicable market value.
- If the applicable market value is less than or equal to the reference price, holders will receive shares of common stock per purchase contract (the maximum settlement rate).

Each of the maximum settlement rate and the minimum settlement rate is subject to customary adjustments.

The applicable market value means the average of the daily VWAPs (as defined below) of our common stock on each of the 20 consecutive trading days beginning on, and including, the 23rd scheduled trading day immediately preceding , 2014.

The reference price will be the public offering price of our common stock in this offering.

The threshold appreciation price will be equal to $, *divided by* the minimum settlement rate (rounded to the nearest $0.01). The threshold appreciation price, which is initially $, represents an appreciation of approximately % over the reference price.

No fractional shares of our common stock will be issued to holders upon settlement of purchase contracts. In lieu of fractional shares, holders will be entitled to receive a cash payment of equivalent value. Other than cash payments in lieu of fractional shares, the purchase contract holders will not receive any cash distributions under the purchase contracts.

Early Settlement at the Holder s Election

At any time prior to the close of business on the third scheduled trading day immediately preceding , 2014, a holder may settle any or all of its purchase contracts early, and we will deliver to such holder a number of shares of our common stock per purchase contract equal to the minimum settlement rate, which is subject to customary adjustments. That is, the market value of our common stock on the early settlement date will not affect the early settlement rate.

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However, if a holder settles its purchase contracts early in connection with a fundamental change (as defined in the purchase contract agreement for the Units), such holder will receive a number of shares of our common stock based on the fundamental change early settlement rate, which will be based on the stock price in the fundamental change and the effective date of the fundamental change.

Each holder s right to settle its purchase contracts prior to the close of business on the third scheduled trading day immediately preceding , 2014 is subject to delivery of the purchase contracts.

Upon early settlement at a holder s election of a purchase contract that is a component of a Unit (whether or not in connection with a fundamental change), the corresponding amortizing note will remain outstanding and registered in the name of the holder who elected to settle the related purchase contract early.

Early Mandatory Settlement at Our Option

We may elect to settle all, but not less than all, outstanding purchase contracts early at the early mandatory settlement rate (as defined below) upon a date fixed by us upon not less than 10 business days notice (the early mandatory settlement date).

The early mandatory settlement rate will be the maximum settlement rate, unless the daily VWAP of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day immediately preceding the notice date (as defined in the purchase contract agreement for the Units) exceeds 130% of the threshold appreciation price in effect on each such trading day, in which case the early mandatory settlement rate will be the fundamental change early settlement rate with the effective date for this purpose being deemed to be the early mandatory settlement date and the stock price for this purpose being deemed to be the average of the daily VWAPs of our common stock over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the early mandatory settlement date.

Anti-Takeover Effects of Delaware Law

Following consummation of this offering, we will be subject to the business combination provisions of Section 203 of the DGCL. In general, such provisions prohibit a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless

- the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

- on or subsequent to such date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders (and not by written consent) by the affirmative vote of at least 66 $^{2}/3$% of the outstanding voting stock which is not owned by the interested stockholder.

A business combination is defined to include mergers, asset sales and other transactions resulting in direct or indirect financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation s voting stock (subject to certain exclusions).

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The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

Certain Provisions of our Certificate of Incorporation and Bylaws

Amendments to Our Certificate of Incorporation and Bylaws

The Board of Directors may change or repeal any provision contained in our Certificate of Incorporation and may insert additional provisions to the Certificate of Incorporation, subject to and in the manner prescribed by applicable law. Under Delaware law, the amendment of a corporation s certificate of incorporation requires the affirmative vote of a majority of the outstanding shares entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote thereon. Under Delaware law, the holders of the outstanding shares of a class of our capital stock shall be entitled to vote as a class upon a proposed amendment, whether or not entitled to vote thereon by the certificate of incorporation, if the amendment would:

Increase or decrease the aggregate number of authorized shares of such class;

Increase or decrease the par value of the shares of such class; or

Alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely.

If any proposed amendment would alter or change the powers, preferences, or special rights of one or more series of any class of our capital stock so as to affect them adversely, but shall not so affect the entire class, then only the shares of the series so affected by the amendment shall be considered a separate class for the purposes of this provision.

The Board of Directors may change or repeal our Bylaws, or adopt additional bylaws. Common stockholders may change or repeal our Bylaws or adopt additional bylaws at any annual or special meeting of the common stockholders, in accordance with Delaware law.

Vacancies in the Board of Directors

Our Bylaws provide that any vacancy occurring in our Board of Directors created by reason of the death, removal, or resignation of a director, or by increase in the number of directors, may be filled by a majority of the remaining members of our Board of Directors then in office, even if such majority is less than a quorum. Each director shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation, or removal.

Special Meetings of Stockholders

Under our Bylaws, special meetings of stockholders may be called by the Board of Directors, the chief executive officer, or, subject to requirements and limitations set forth in our Bylaws, holders holding of record more than percent of our outstanding common stock.

Requirements for Notice of Stockholder Director Nominations and Stockholder Business

If a stockholder wishes to bring any business before an annual or special meeting or nominate a person for election to our Board of Directors, our Bylaws contain certain procedures that must be followed for the advance timing required for delivery of stockholder notice of such business and the information that such notice must contain.

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The information that may be required in a stockholder notice includes general information regarding the stockholder, a description of the proposed business, and, with respect to nominations for the Board of Directors, certain specified information regarding the nominee(s). In addition to the information required in a stockholder notice described above, our Bylaws require a representation that the stockholder is a holder of our voting stock and intends to appear in person or by proxy at the meeting to make the nomination or bring up the matter specified in the notice.

Stockholder Action by Written Consent without a Meeting

Our Certificate of Incorporation provides that no action that is required or permitted to be taken by our stockholders at any annual or special meeting of stockholders may be taken by written consent of stockholders without a meeting.

Listing

The company has applied to list the common stock on the NYSE under the symbol ALLY .

Transfer Agent and Registrar

The Transfer Agent and Registrar for the common stock is Computershare Limited.

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U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of common stock by a non-U.S. holder. A non-U.S. holder is a beneficial owner of a share of our common stock that is, for U.S. federal income tax purposes:

- a non-resident alien individual, other than a former citizen or resident of the United States subject to U.S. tax as an expatriate,
- a foreign corporation, or
- a foreign estate or trust.

If a partnership or other pass-through entity (including an entity or arrangement treated as a partnership or other type of pass-through entity for U.S. federal income tax purposes) owns our common stock, the tax treatment of a partner or beneficial owner of the entity may depend upon the status of the owner, the activities of the entity and certain determinations made at the partner or beneficial owner level. Partners and beneficial owners in partnerships or other pass-through entities that own our common stock should consult their own tax advisors as to the particular U.S. federal income and estate tax consequences applicable to them.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), and administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein (possibly with retroactive effect). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to non-U.S. holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders are urged to consult their tax advisors with respect to the particular tax consequences to them of owning and disposing of our common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

Dividends

As discussed under Dividend Policy above, we do not currently expect to pay dividends. In the event that we do pay dividends out of our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such dividends paid to a non-U.S. holder generally will be subject to U.S. federal withholding tax at a 30% rate, or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding under an applicable income tax treaty, a non-U.S. holder generally will be required to provide an Internal Revenue Service (IRS) Form W-8BEN certifying its entitlement to benefits under the treaty.

No amounts in respect of U.S. federal withholding tax will be withheld from dividends paid to a non-U.S. holder if the holder provides an IRS Form W-8ECI certifying that the dividends are effectively connected with the non-U.S. holder s conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. holder were a U.S. resident, subject to an applicable income tax treaty providing otherwise. A non-U.S. holder that is a corporation receiving effectively connected dividends may also be subject to an additional branch profits tax imposed at a rate of 30% (or a lower treaty rate) on its effectively connected earnings and profits (subject to certain adjustments).

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Gain on Disposition of Common Stock

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of common stock unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, subject to an applicable income tax treaty providing otherwise, in which case the gain will be subject to U.S. federal income tax generally in the same manner as effectively connected dividend income as described above;

- the non-U.S. holder is an individual present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, in which case the gain (net of certain U.S.-source losses) generally will be subject to U.S. federal income tax at a rate of 30% (or a lower treaty rate); or

- we are or have been a United States real property holding corporation (as described below), at any time within the five-year period preceding the disposition or the non-U.S. holder s holding period, whichever period is shorter, and either (i) our common stock is not regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs or (ii) the non-U.S. holder has owned or is deemed to have owned, at any time within the five-year period preceding the disposition or the non-U.S. holder s holding period, whichever period is shorter, more than 5% of our common stock.

We will be a United States real property holding corporation at any time that the fair market value of our United States real property interests, as defined in the Code and applicable Treasury regulations, equals or exceeds 50% of the aggregate fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. We believe that we are not, and do not anticipate becoming in the foreseeable future, a United States real property holding corporation.

Information Reporting Requirements and Backup Withholding

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of common stock. A non-U.S. holder may have to comply with certification procedures to establish that it is not a United States person in order to avoid information reporting and backup withholding requirements. The certification procedures required to claim a reduced rate of withholding under a treaty will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a non-U.S. holder will be allowed as a credit against the non-U.S. holder s U.S. federal income tax liability and may entitle the non-U.S. holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

Recent Legislation

Recent legislation generally imposes withholding at a rate of 30% on payments to certain foreign entities, after December 31, 2012, of dividends on and the gross proceeds of dispositions of U.S. common stock, unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock.

Federal Estate Tax

Individual non-U.S. holders (as specifically defined for U.S. federal estate tax purposes) and entities the property of which is potentially includible in such an individual s gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should note that the common stock will be treated as U.S. situs property subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

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SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have shares of common stock outstanding assuming (i) the exercise of the underwriters over-allotment option, (ii) 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 the prospectus) for purposes of calculating the number of shares we issue to Treasury in the conversion described under Concurrent Transactions and (iii) no exercise of any options and warrants outstanding as of June 30, 2011. Of these shares, the shares, or shares if the underwriters exercise their over-allotment option in full, sold in this offering will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining shares of common stock existing are restricted shares as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 of the Securities Act.

In addition, at our request, the underwriters have reserved up to approximately 5% of the shares of common stock offered for sale pursuant to this prospectus for sale to some of our dealers in a directed shares program. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed shares.

Rule 144

In general, under Rule 144, an affiliate who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the number of shares of common stock then outstanding, which will equal shares immediately after this offering; assuming no exercise of the underwriters over-allotment option; or the average weekly reported volume of trading of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale. Sales by affiliates under Rule 144 are also limited by manner of sale provisions and notice requirements and the availability of current public information about us.

Following this offering, a person that is not an affiliate of ours at the time of, or at any time during the three months preceding, a sale and who has beneficially owned restricted shares of our common stock for at least six months, may sell shares without complying with the volume limitation, manner of sale or notice provisions described above, and any such person who has beneficially owned restricted shares of our common stock for at least one year may sell shares without complying with the abovementioned restrictions and the current public information requirement.

We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our common stock, the personal circumstances of the stockholder and other factors.

Rule 701

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the

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effective date of this offering is entitled to resell such shares after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period requirements or other restrictions contained in Rule 701.

The Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning the date after this prospectus, may be sold by persons other than affiliates, as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one-year minimum holding period requirement.

Registration Rights

Upon completion of this offering, the holders of shares of common stock and shares of common stock issuable upon the conversion of preferred stock and Treasury, as the holder of the Units that are not being offered in the concurrent Units offering and as the holder of the shares of common stock issued upon settlement of such Units, will be entitled to various rights with respect to the registration of these securities under the Securities Act. Registration of these securities under the Securities Act would result in these securities becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for securities purchased by affiliates. See Certain Stockholder Agreements Registration Rights Agreement Holdback Agreements for the lockup provisions and exceptions to the lockup provisions under the Registration Rights Agreement.

Stock Options

As of June 30, 2011, options to purchase a total of shares of common stock were outstanding. of the shares subject to options are subject to lock-up agreements. An additional shares of common stock were available for future option grants under our stock plans.

Upon completion of this offering, we intend to file a registration statement under the Securities Act covering all shares of common stock subject to outstanding options or issuable pursuant to our stock plans. Shares registered under this registration statement will be available for sale in the open market, subject to Rule 144 volume limitations applicable to affiliates, vesting restrictions with us or the contractual restrictions described below.

Lock-up Agreements

All of our directors, executive officers and the holders of approximately shares of our common stock have agreed, subject to limited exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Exchange Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common stock or any securities convertible into or exercisable or exchangeable for common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise for a period of days after the date of this prospectus, without the prior written consent of Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC. See Underwriting. In addition, certain of our shareholders are subject to lock-up provisions under our Registration Rights Agreement. See Certain Stockholder Agreements Registration Rights Agreement Holdback Agreements.

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UNDERWRITING

Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC are acting as joint global coordinators and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and the selling stockholder has agreed to sell to that underwriter, the number of common shares (the shares) set forth opposite the underwriter s name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
J.P. Morgan Securities LLC	
Morgan Stanley & Co. LLC	
Barclays Capital Inc.	
Deutsche Bank Securities Inc.	
Total	

We may add additional underwriters to the table above. Any such underwriters would be selected by us taking into account various criteria, including among other things their marketing and distribution capability, ownership and management diversity, and automotive finance industry expertise.

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any common shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to the underwriters right to reject any order in whole or in part.

If the underwriters sell more shares than the total number set forth in the table above, the selling stockholder has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional common shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional common shares approximately proportionate to that underwriter s initial purchase commitment in such shares. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We, our officers and directors, certain of our employees and the selling stockholder and our other stockholders have agreed that, subject to limited exceptions, for a period of days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC, (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Exchange Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common stock

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or any securities convertible into or exercisable or exchangeable for common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, if (1) during the last days of the -day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the -day restricted period, we announce that we will release earnings results during the -day period beginning on the last day of the -day restricted period, the restrictions described above shall continue to apply until the expiration of the -day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In addition, certain of our shareholders are subject to lock-up provisions under our Registration Rights Agreement. See Certain Stockholder Agreements Registration Rights Agreement Holdback Agreements.

In addition, at our request, the underwriters have reserved up to approximately 5% of the shares of common stock offered for sale pursuant to this prospectus for sale to some of our dealers in a directed shares program. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed shares.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares was determined by negotiations among us, the selling stockholder and the representatives. Among the factors considered in determining the initial public offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.

We have applied to list our common shares on the NYSE under the symbol ALLY.

The following table shows the per share and total public offering price and proceeds to the selling stockholder and the underwriting discounts and commissions payable to the underwriters in connection with this offering. 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 security holder incurred in connection with the sale. These amounts are shown assuming both no exercise and full exercise of the underwriters over-allotment option.

		Total	
	Per Share	**No Exercise**	**Full Exercise**
Public offering price and proceeds to selling stockholder	$	$	$
Underwriting discounts and commissions	$	$	$

We estimate that our total expenses for this offering will be approximately $ million.

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

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In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.

Covered short sales are sales of shares in an amount up to the number of shares represented by the underwriters over-allotment option.

Naked short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters over-allotment option.

Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.

To close a naked short position, the underwriters must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

To close a covered short position, the underwriters must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE , in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, lending, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, currently perform, and may in the future perform, various financial advisory and investment banking services for us, for which they have received customary compensation and may provide such services and receive customary compensation in the future. Certain of the relationships involve transactions that are material to us or our affiliates and for which the underwriters and/or their respective affiliates have received significant fees. In addition, the underwriters and/or their affiliates serve as agents and lenders under certain of our existing credit facilities.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the securities which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the securities shall require the issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of securities to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice to Prospective Investors in the United Kingdom

Each underwriter has also represented and agreed that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the securities would otherwise constitute a contravention of Section 19 of the FSMA by the issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

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Notice to Prospective Investors in France

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers.* The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Notice to Prospective Investors in Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Notice to Prospective Investors in Japan

The shares offered in this prospectus have not been registered under the Securities and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

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Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

- where no consideration is or will be given for the transfer; or

- where the transfer is by operation of law.

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VALIDITY OF COMMON STOCK

The validity of the issuance of the shares of common stock offered hereby will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York and by Cahill Gordon & Reindel LLP, New York, New York, for the underwriters.

EXPERTS

The consolidated financial statements of Ally, as of December 31, 2010 and 2009, and for each of the three years in the period ended December 31, 2010, included in this preliminary prospectus, and the effectiveness of Ally s internal control over financial reporting, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are included herein. Such consolidated financial statements have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to the company and its common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference.

We file annual, quarterly, current reports, and other information with the SEC. The information we file with the SEC is not part of this prospectus or the registration statement of which this prospectus is a part. Our filings with the SEC, including a copy of the registration statement and the exhibits and schedules thereto, may be read and copied at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is www.sec.gov.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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ALLY FINANCIAL INC.

Condensed Consolidated Statement of Income (unaudited)

	Six months ended June 30, 2011	2010
	($ in millions)	
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	$ 3,299	$ 3,235
Interest on loans held-for-sale	206	371
Interest on trading securities	6	7
Interest and dividends on available-for-sale investment securities	212	189
Interest-bearing cash	27	32
Operating leases	1,300	2,174
Total financing revenue and other interest income	5,050	6,008
Interest expense		
Interest on deposits	347	313
Interest on short-term borrowings	234	210
Interest on long-term debt	2,744	2,842
Total interest expense	3,325	3,365
Depreciation expense on operating lease assets	477	1,182
Net financing revenue	1,248	1,461
Other revenue		
Servicing fees	724	769
Servicing asset valuation and hedge activities, net	(192)	(154)
Total servicing income, net	532	615
Insurance premiums and service revenue earned	866	945
Gain on mortgage and automotive loans, net	207	537
Loss on extinguishment of debt	(64)	(121)
Other gain on investments, net	176	255
Other income, net of losses	469	255
Total other revenue	2,186	2,486
Total net revenue	3,434	3,947
Provision for loan losses	164	362
Noninterest expense		
Compensation and benefits expense	858	814
Insurance losses and loss adjustment expenses	430	435
Other operating expenses	1,688	1,714
Total noninterest expense	2,976	2,963
Income from continuing operations before income tax expense	294	622
Income tax expense from continuing operations	14	69
Net income from continuing operations	280	553

Income (loss) from discontinued operations, net of tax	(21)	174
Net income	$ 259	$ 727

Statement continues on the next page.

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

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ALLY FINANCIAL INC.

Condensed Consolidated Statement of Income (unaudited)

	Six months ended June 30, 2011	2010
	($ in millions except per share data)	
Net (loss) income attributable to common shareholders		
Net income from continuing operations	$ 280	$ 553
Preferred stock dividends U.S. Department of Treasury	(267)	(386)
Preferred stock dividends	(127)	(142)
Impact of preferred stock amendment	32	
Net (loss) income from continuing operations attributable to common shareholders (a)	(82)	25
Income (loss) from discontinued operations, net of tax	(21)	174
Net (loss) income attributable to common shareholders	$ (103)	$ 199
Basic weighted-average common shares outstanding	1,330,970	799,120
Diluted weighted-average common shares outstanding (a)	1,330,970	799,120
Basic earnings per common share		
Net (loss) income from continuing operations	$ (62)	$ 32
Income (loss) from discontinued operations, net of tax	(16)	217
Net (loss) income	$ (78)	$ 249
Diluted earnings per common share (a)		
Net (loss) income from continuing operations	$ (62)	$ 32
Income (loss) from discontinued operations, net of tax	(16)	217
Net (loss) income	$ (78)	$ 249

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the for the six months ended June 30, 2011 and the six months ended June 30, 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

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ALLY FINANCIAL INC.

Condensed Consolidated Balance Sheet (unaudited)

	June 30, 2011	December 31, 2010
	($ in millions)	
Assets		
Cash and cash equivalents		
Noninterest-bearing	$ 2,039	$ 1,714
Interest-bearing	12,862	9,956
Total cash and cash equivalents	14,901	11,670
Trading securities	311	240
Investment securities	15,961	14,846
Loans held-for-sale, net ($2,545 and $6,424 fair value-elected)	7,168	11,411
Finance receivables and loans, net		
Finance receivables and loans, net ($946 and $1,015 fair value-elected)	110,725	102,413
Allowance for loan losses	(1,739)	(1,873)
Total finance receivables and loans, net	108,986	100,540
Investment in operating leases, net	9,015	9,128
Mortgage servicing rights	3,701	3,738
Premiums receivable and other insurance assets	2,124	2,181
Other assets	16,722	18,254
Total assets	$ 178,889	$ 172,008
Liabilities		
Deposit liabilities		
Noninterest-bearing	$ 2,405	$ 2,131
Interest-bearing	39,857	36,917
Total deposit liabilities	42,262	39,048
Short-term borrowings	7,130	7,508
Long-term debt ($899 and $972 fair value-elected)	91,723	86,612
Interest payable	1,734	1,829
Unearned insurance premiums and service revenue	2,845	2,854
Reserves for insurance losses and loss adjustment expenses	782	862
Accrued expenses and other liabilities ($19 and $ fair value-elected)	11,990	12,806
Total liabilities	158,466	151,519
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,287
Accumulated deficit	(6,508)	(6,410)
Accumulated other comprehensive income	323	259
Total equity	20,423	20,489
Total liabilities and equity	$ 178,889	$ 172,008

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

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ALLY FINANCIAL INC.

Condensed Consolidated Balance Sheet (unaudited)

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

	June 30, 2011	December 31, 2010
	($ in millions)	
Assets		
Loans held-for-sale, net	$ 10	$ 21
Finance receivables and loans, net		
Finance receivables and loans, net ($946 and $1,015 fair value-elected)	40,497	33,483
Allowance for loan losses	(287)	(238)
Total finance receivables and loans, net	40,210	33,245
Investment in operating leases, net	971	1,065
Other assets	3,156	3,279
Total assets	$ 44,347	$ 37,610
Liabilities		
Short-term borrowings	$ 924	$ 964
Long-term debt ($899 and $972 fair value-elected)	29,863	24,466
Interest payable	15	15
Accrued expenses and other liabilities	393	397
Total liabilities	$ 31,195	$ 25,842

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

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ALLY FINANCIAL INC.

Condensed Consolidated Statement of Changes in Equity (unaudited)

Six Months Ended June 30, 2011 and 2010

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income
Balance at January 1, 2010, before cumulative effect of adjustments	$ 13,829	$ 10,893	$ 1,287	$ (5,630)	$ 460	$ 20,839	
Cumulative effect of a change in accounting principle, net of tax (a)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	$ 13,829	$ 10,893	$ 1,287	$ (5,687)	$ 464	$ 20,786	
Net income				727		727	$ 727
Preferred stock dividends paid to the U.S. Department of Treasury				(386			