11-1-2010

Ally Financial Inc., Q3 2010: Form 10-Q

Ally Financial Inc.

General Motors Acceptance Corporation (GMAC)

General Motors Acceptance Corporation (GMAC)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2010, or

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

For the transition period from to .

Commission file number: 1-3754

ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

Delaware	**38-0572512**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(866) 710-4623
(Registrant's telephone number, including area code)

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

Yes ☑ No ☐

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

Yes ☐ No ☐

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

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

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

Yes ☐ No ☑

At November 8, 2010, the number of shares outstanding of the Registrant's common stock was 799,120 shares.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
Financing revenue and other interest income				
Finance receivables and loans				
Consumer	**$ 1,149**	$ 1,124	**$ 3,407**	$ 3,532
Commercial	**470**	407	**1,361**	1,259
Notes receivable from General Motors	**40**	55	**135**	144
Total finance receivables and loans	**1,659**	1,586	**4,903**	4,935
Loans held-for-sale	**153**	114	**524**	282
Interest on trading securities	**5**	62	**12**	119
Interest and dividends on available-for-sale investment securities	**88**	49	**279**	162
Interest-bearing cash	**22**	19	**54**	88
Other interest income, net	**—**	1	**—**	56
Operating leases	**855**	1,386	**3,029**	4,491
Total financing revenue and other interest income	**2,782**	3,217	**8,801**	10,133
Interest expense				
Interest on deposits	**172**	178	**485**	535
Interest on short-term borrowings	**110**	121	**322**	464
Interest on long-term debt	**1,451**	1,449	**4,295**	4,685
Total interest expense	**1,733**	1,748	**5,102**	5,684
Depreciation expense on operating lease assets	**454**	894	**1,636**	3,007
Net financing revenue	**595**	575	**2,063**	1,442
Other revenue				
Servicing fees	**404**	379	**1,173**	1,176
Servicing asset valuation and hedge activities, net	**(27)**	(110)	**(181)**	(687)
Total servicing income, net	**377**	269	**992**	489
Insurance premiums and service revenue earned	**470**	510	**1,415**	1,501
Gain on mortgage and automotive loans, net	**326**	177	**863**	666
(Loss) gain on extinguishment of debt	**(2)**	10	**(123)**	667
Other gain on investments, net	**104**	216	**339**	299
Other income, net of losses	**181**	229	**456**	(94)
Total other revenue	**1,456**	1,411	**3,942**	3,528
Total net revenue	**2,051**	1,986	**6,005**	4,970
Provision for loan losses	**9**	680	**375**	2,543
Noninterest expense				
Compensation and benefits expense	**393**	416	**1,208**	1,170
Insurance losses and loss adjustment expenses	**229**	254	**664**	800
Other operating expenses	**1,094**	1,496	**2,805**	3,577
Total noninterest expense	**1,716**	2,166	**4,677**	5,547
Income (loss) from continuing operations before income tax expense (benefit)	**326**	(860)	**953**	(3,120)
Income tax expense (benefit) from continuing operations	**48**	(291)	**117**	681
Net income (loss) from continuing operations	**278**	(569)	**836**	(3,801)
(Loss) income from discontinued operations, net of tax	**(9)**	(198)	**160**	(1,544)
Net income (loss)	**$ 269**	$ (767)	**$ 996**	$ (5,345)

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)

($ in millions)	**September 30, 2010**	December 31, 2009
Assets		
Cash and cash equivalents		
Noninterest-bearing	**$ 1,414**	$ 1,840
Interest-bearing	**11,175**	12,948
Total cash and cash equivalents	**12,589**	14,788
Trading securities	**211**	739
Investment securities		
Available-for-sale	**11,925**	12,155
Held-to-maturity	**—**	3
Total investment securities	**11,925**	12,158
Loans held-for-sale, net ($6,978 and $5,545 fair value elected)	**13,265**	20,625
Finance receivables and loans, net		
Consumer ($2,948 and $1,303 fair value elected)	**60,185**	42,849
Commercial	**38,050**	33,941
Notes receivable from General Motors	**483**	911
Allowance for loan losses	**(2,054)**	(2,445)
Total finance receivables and loans, net	**96,664**	75,256
Investment in operating leases, net	**10,213**	15,995
Mortgage servicing rights	**2,746**	3,554
Premiums receivable and other insurance assets	**2,169**	2,720
Other assets	**21,817**	19,887
Assets of operations held-for-sale	**1,592**	6,584
Total assets	**$ 173,191**	$ 172,306
Liabilities		
Deposit liabilities		
Noninterest-bearing	**$ 2,547**	$ 1,755
Interest-bearing	**35,410**	30,001
Total deposit liabilities	**37,957**	31,756
Debt		
Short-term borrowings	**5,914**	10,292
Long-term debt ($2,793 and $1,293 fair value elected)	**87,547**	88,021
Total debt	**93,461**	98,313
Interest payable	**1,824**	1,637
Unearned insurance premiums and service revenue	**2,937**	3,192
Reserves for insurance losses and loss adjustment expenses	**922**	1,215
Accrued expenses and other liabilities	**14,370**	10,456
Liabilities of operations held-for-sale	**743**	4,898
Total liabilities	**152,214**	151,467
Equity		
Common stock and paid-in capital	**13,838**	13,829
Preferred stock held by U.S. Department of Treasury	**10,893**	10,893
Preferred stock	**1,287**	1,287
Accumulated deficit	**(5,480)**	(5,630)
Accumulated other comprehensive income	**439**	460
Total equity	**20,977**	20,839
Total liabilities and equity	**$ 173,191**	$ 172,306

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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 at September 30, 2010, were as follows.

($ in millions)	
Assets	
Cash and cash equivalents	
Noninterest-bearing	**$ 3**
Loans held-for-sale, net	**34**
Finance receivables and loans, net	
Consumer ($2,948 fair value elected)	**19,568**
Commercial	**12,190**
Allowance for loan losses	**(262)**
Total finance receivables and loans, net	**31,496**
Investment in operating leases, net	**1,803**
Other assets	**4,718**
Assets of operations held-for-sale	**86**
Total assets	**$38,140**
Liabilities	
Debt	
Short-term borrowings	**$ 1,265**
Long-term debt ($2,793 fair value elected)	**26,976**
Total debt	**28,241**
Interest payable	**28**
Accrued expenses and other liabilities	**551**
Liabilities of operations held-for-sale	**48**
Total liabilities	**$28,868**

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)
Nine Months Ended September 30, 2010 and 2009

($ in millions)	Members' interests	Preferred interests held by U.S. Department of Treasury	Preferred interests	Retained earnings	Accumulated other comprehensive (loss) income	Total equity	Comprehensive (loss) income
Balance at January 1, 2009	$ 9,670	$ 5,000	$ 1,287	$ 6,286	$ (389)	$21,854	
Capital contributions (a)	1,247					1,247	
Net loss				(4,578)		(4,578)	$ (4,578)
Preferred interests dividends paid to the U.S. Department of Treasury				(160)		(160)	
Preferred interests dividends				(195)		(195)	
Dividends to members (a)				(119)		(119)	
Issuance of preferred interests held by U.S. Department of Treasury		7,500				7,500	
Other comprehensive income					497	497	497
Balance at June 30, 2009, before conversion from limited liability company to a corporation (b)	$ 10,917	$ 12,500	$ 1,287	$ 1,234	$ 108	$26,046	$ (4,081)

($ in millions)	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive income	Total equity	Comprehensive (loss) income
Balance at June 30, 2009, after conversion from limited liability company to a corporation	$ 10,917	$ 12,500	$ 1,287	$ 1,234	$ 108	$26,046	$ (4,081)
Net loss				(767)		(767)	(767)
Preferred stock dividends paid to the U.S. Department of Treasury				(271)		(271)	
Preferred stock dividends (a)				(103)		(103)	
Dividends to shareholders (a)				(260)		(260)	
Other comprehensive income					296	296	296
Balance at September 30, 2009	$ 10,917	$ 12,500	$ 1,287	$ (167)	$ 404	$24,941	$ (4,552)

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)
Nine Months Ended September 30, 2010 and 2009

($ in millions)	Common stock and paid-in capital	Preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income (loss)
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 (c)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	$ 13,829	$ 10,893	$ 1,287	$ (5,687)	$ 464	$20,786	
Capital contributions	9					9	
Net income				996		996	$ 996
Preferred stock dividends paid to the U.S. Department of Treasury				(643)		(643)	
Preferred stock dividends (a)				(212)		(212)	
Dividends to shareholders (a)				(8)		(8)	
Other comprehensive loss					(25)	(25)	(25)
Other (d)				74		74	
Balance at September 30, 2010	$ 13,838	$ 10,893	$ 1,287	$ (5,480)	$ 439	$20,977	$ 971

(a) Refer to Note 18 to the Condensed Consolidated Financial Statements for further details.

(b) 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 and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of preferred stock with substantially the same rights and preferences as the former preferred membership interests.

(c) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to Note 1 for additional information.

(d) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009. Refer to Note 18 to the Condensed Consolidated Financial Statements for further details.

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

ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Nine months ended September 30, *($ in millions)*	**2010**	2009
Operating activities		
Net income (loss)	**$ 996**	$ (5,345)
Reconciliation of net income (loss) to net cash provided by operating activities		
Depreciation and amortization	**3,246**	4,746
Operating lease impairment	**—**	(117)
Impairment of goodwill and other intangible assets	**—**	641
Other impairment	**58**	226
Amortization and valuation adjustments of mortgage servicing rights	**1,466**	191
Provision for loan losses	**397**	2,712
Gain on sale of loans, net	**(861)**	(43)
Net gain on investment securities	**(357)**	(22)
Loss (gain) on extinguishment of debt	**123**	(667)
Originations and purchases of loans held-for-sale	**(48,828)**	(47,775)
Proceeds from sales and repayments of loans held-for-sale	**55,046**	42,387
Net change in:		
Trading securities	**(22)**	310
Deferred income taxes	**(186)**	893
Interest payable	**176**	197
Other assets	**976**	5,738
Other liabilities	**698**	(874)
Other, net	**(1,388)**	(1,246)
Net cash provided by operating activities	**11,540**	1,952
Investing activities		
Purchases of available-for-sale securities	**(15,902)**	(17,288)
Proceeds from sales of available-for-sale securities	**13,380**	6,669
Proceeds from maturities of available-for-sale securities	**3,646**	3,282
Net (increase) decrease in finance receivables and loans	**(12,423)**	9,813
Proceeds from sales of finance receivables and loans	**2,554**	457
Change in notes receivable from GM	**1**	751
Purchases of operating lease assets	**(2,405)**	(465)
Disposals of operating lease assets	**6,719**	4,894
(Purchases) sales of mortgage servicing rights, net	**(45)**	7
Sale of business unit, net (a)	**(331)**	96
Other, net	**1,203**	485
Net cash (used in) provided by investing activities	**(3,603)**	8,701

ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Nine months ended September 30, *($ in millions)*	**2010**	2009
Financing activities		
Net change in short-term debt	**(4,856)**	(919)
Net increase in bank deposits	**4,776**	8,132
Proceeds from issuance of long-term debt	**32,235**	23,851
Repayments of long-term debt	**(43,827)**	(51,000)
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	**—**	7,500
Proceeds from issuance of common stock	**—**	1,247
Dividends paid	**(862)**	(1,082)
Other, net	**1,255**	1,282
Net cash used in financing activities	**(11,279)**	(10,989)
Effect of exchange-rate changes on cash and cash equivalents	**501**	(28)
Net decrease in cash and cash equivalents	**(2,841)**	(364)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	**642**	(562)
Cash and cash equivalents at beginning of year	**14,788**	15,151
Cash and cash equivalents at September 30,	**$ 12,589**	$ 14,225
Supplemental disclosures		
Cash paid for		
Interest	**$ 4,055**	$ 4,923
Income taxes	**377**	274
Noncash items		
Increase in finance receivables and loans due to a change in accounting principle (c)	**17,990**	—
Increase in long-term debt due to a change in accounting principle (c)	**17,054**	—
Loans held-for-sale transferred to finance receivables and loans	**37**	803
Finance receivables and loans transferred to loans held-for sale	**596**	1,421
Finance receivables and loans transferred to other assets	**187**	406
Originations of mortgage servicing rights from sold loans	**628**	586
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	**437**	697
Proceeds from sales of repossessed, foreclosed, and owned real estate	**396**	923
Consolidation of loans, net	**—**	1,410
Consolidation of collateralized borrowings	**—**	1,184

(a) The amounts for the nine months ended September 30, 2010, are net of cash and cash equivalents of $1.1 billion of business units at the time of disposition.

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

(c) Relates to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to Note 1 for additional information.

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

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is one of the world's largest automotive financial services companies. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended. Our primary banking subsidiary is Ally Bank, which is an indirect wholly owned subsidiary of Ally Financial Inc.

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

The Condensed Consolidated Financial Statements at September 30, 2010, and for the three months and nine months ended September 30, 2010 and 2009, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2009, as filed on February 26, 2010, with the U.S. Securities and Exchange Commission (SEC), as amended by the Current Report on Form 8-K filed with the SEC on October 12, 2010.

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap’s operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap’s consolidated tangible net worth, as defined, was $859 million at September 30, 2010, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap’s consolidated equity excluding intangible assets. There continues to be a risk that ResCap may not be able to meet its debt service obligations, may default on its financial debt covenants due to insufficient capital, and/or may be in a negative liquidity position in 2010 or future periods.

ResCap actively manages its liquidity and capital positions and is continually working on initiatives to address its debt covenant compliance and liquidity needs including debt maturing in the next twelve months and other risks and uncertainties. ResCap’s initiatives could include, but are not limited to, the following: continuing to work with key credit providers to optimize all available liquidity options; possible further reductions in assets and other restructuring activities; focusing production on government and prime conforming products; exploring strategic alternatives such as alliances, joint ventures, and other transactions with third parties with respect to certain ResCap assets and businesses; and continued exploration of opportunities for funding and capital support from Ally and its affiliates. The outcomes of most of these initiatives are to a great extent outside of ResCap’s control resulting in increased uncertainty as to their successful execution.

During 2010, we performed a strategic review of our mortgage business. As a result of this, we effectively exited the European mortgage market through the sale of our U.K. and continental Europe operations. The sale of these operations was completed on October 1, 2010. Certain components of the sale were completed on September 30, 2010. Refer to Note 2 for additional information on the sale. We also completed the sale of certain higher-risk legacy mortgage assets and settled representation and warranty claims with certain counterparties. The ongoing focus of our Mortgage operations will be predominately the origination and servicing of conforming mortgages. While the opportunities for further risk mitigation remain, the risk in the Mortgage operations has been materially reduced as compared to recent levels.

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap's existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of ResCap's outstanding debt securities, a merger, sale, asset sales, consolidation, spin-off, distribution, or other business combination or reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of Ally and ResCap; ResCap's ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap's debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to Ally and/or ResCap; and any nonpublic information that ResCap may possess or that Ally receives from ResCap.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will choose to execute any further strategic transactions with respect to ResCap, or that any transactions undertaken will be successful.

Although our continued actions through various funding and capital initiatives demonstrate support for ResCap, there are currently no commitments or assurances for future funding and/or capital support. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should we no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At September 30, 2010, we had approximately $2.1 billion in secured financing arrangements with ResCap of which approximately $1.3 billion in loans was utilized. 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, could be slower. In addition, we could be an unsecured creditor of ResCap to the extent that the proceeds from the sale of our collateral are insufficient to repay ResCap's obligations to us. It is possible that other ResCap creditors would seek to recharacterize our loans to ResCap as equity contributions or to seek equitable subordination of our claims so that the claims of other creditors would have priority over our claims. In addition, should ResCap file for bankruptcy, our $859 million investment related to ResCap's equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on Ally's consolidated financial position over the longer term.

Corporate Conversion

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company to a Delaware corporation pursuant to Section 18-216 of the Delaware Limited Liability Company Act and Section 265 of the Delaware General Corporation Law. In connection with the Conversion, each unit of each class of common and preferred membership interests issued and outstanding immediately prior to the Conversion was converted into shares of capital stock with substantially the same rights and preferences as such membership interests. Refer to Note 17 for additional information regarding the tax impact of the conversion.

Recently Adopted Accounting Standards

Accounting for Transfers of Financial Assets (ASU 2009-16)

As of January 1, 2010, we adopted ASU 2009-16 (formerly Statement of Financial Accounting Standards Board (SFAS) No. 166), which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing.* This standard removes the concept of a qualifying special-purpose entity (QSPE) and creates more stringent conditions for reporting a sale when a portion of a financial asset is transferred. To determine if a transfer is to be accounted for as a sale, the transferor must assess whether the transferor and all of the entities included in the transferor's consolidated financial statements surrendered control of the assets. For partial asset transfers, the transferred portion must represent a pro rata component of the entire asset with no form of subordination. This standard is applied prospectively for transfers that occur on or after the effective date; however, the elimination of the QSPE concept required us to retrospectively assess all current off-balance sheet QSPE structures for consolidation under ASC Topic 810, *Consolidation*, and record a cumulative-effect adjustment to retained earnings for any consolidation change. Retrospective application of ASU 2009-16, specifically the QSPE removal, was assessed as part of the analysis required by ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to the section below for further information related to ASU 2009-17.

Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (ASU 2009-17)

As of January 1, 2010, we adopted ASU 2009-17 (formerly SFAS No. 167), which amended ASC Topic 810, *Consolidation* . This standard addresses the primary beneficiary assessment criteria for determining whether an entity is required to consolidate a variable interest entity (VIE). This standard requires an entity to determine whether it is the primary beneficiary by performing a qualitative assessment rather than using the quantitative-based model that was required under the previous accounting guidance. The qualitative assessment consists of determining whether the entity has both the power to direct the activities that most significantly impact the VIE's economic performance and the right to receive benefits or obligation to absorb losses that could potentially be significant to the VIE. As a result of the implementation of ASU 2009-16 and ASU 2009-17, several of our securitization structures previously held off-balance sheet were recognized as consolidated entities resulting in a day-one increase of $17.6 billion to assets and liabilities on our Condensed Consolidated Balance Sheet ($10.1 billion of the increase related to operations classified as held-for-sale). As part of the day-one entry, there was an immaterial adjustment to our opening equity balance.

Expanded Disclosures about Fair Value Measurements (ASU 2010-06)

As of March 31, 2010, we adopted the majority of ASU 2010-06, which amends ASC Topic 820, *Fair Value Measurements.* The ASU requires fair value disclosures for each asset and liability class, disclosures related to inputs and valuation methods for measurements that use Level 2 or Level 3 inputs, disclosures of significant transfers between Levels 1 and 2, and the gross presentation of significant transfers into or out of Level 3 within the Level 3 rollforward. The ASU also requires the gross presentation of purchases, sales, issuances, and settlements within the Level 3 rollforward; however, this specific requirement will be effective for us during the three months ended March 31, 2011. The disclosure requirement by class is a higher level of disaggregation compared to the previous requirement, which was based on the major asset or liability category. While the adoption of ASU 2010-06 expanded our disclosures related to fair value measurements, it did not modify the accounting treatment or measurement of items at fair value and, as such, did not have a material impact on our financial statements.

Derivatives and Hedging – Scope Exception Related to Embedded Credit Derivatives (ASU 2010-11)

In March 2010, the FASB issued ASU 2010-11, which clarifies that the transfer of credit risk that is only in the form of subordination of one financial instrument to another financial instrument (such as the subordination of one beneficial interest to another tranche of a securitization) is an embedded derivative feature. The embedded derivative feature should not be subject to potential bifurcation or separate accounting under ASC 815, *Derivatives and Hedging* . In addition, the ASU provides guidance on whether other embedded credit derivatives in financial instruments are subject to bifurcation and separate accounting. ASU 2010-11 was effective for us on July 1, 2010, and the adoption did not have a material impact on our consolidated financial condition or results of operation.

Recently Issued Accounting Standards

Revenue Arrangements with Multiple Deliverables (ASU 2009-13)

In October 2009, the FASB issued ASU 2009-13, which amends ASC Topic 605, *Revenue Recognition* . The guidance significantly changes the accounting for revenue recognition in arrangements with multiple deliverables and eliminates the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. Under the guidance, entities will be required to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable's selling price. ASU 2009-13 is effective for revenue arrangements that we enter into or materially modify on or after January 1, 2011. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operation.

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Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20)

In July 2010, the FASB issued ASU 2010-20, which requires expanded disclosures related to the credit quality of finance receivables and loans. This disclosure will be effective for us during the December 31, 2010, reporting period. The ASU also requires a rollforward of the allowance for loan losses for each reporting period, which will be effective for us during the March 31, 2011, reporting period. Since the guidance relates only to disclosures, adoption will not have a material effect on our consolidated financial condition or results of operation.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

During 2009, we committed to sell certain operations of ResCap's International Business Group (IBG). These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe (the Netherlands and Germany). During the three months ended June 30, 2010, we classified the U.K. operations as discontinued. The continental Europe operations met the discontinued operations criteria during the three months ended December 31, 2009. On September 30, 2010, and October 1, 2010, we completed the sale of these operations. The components of the sale that were completed on October 1, 2010, were classified as assets and liabilities of operations held-for-sale on our Condensed Consolidated Balance Sheet at September 30, 2010, and were valued consistently with the proceeds received from the sale.

During 2009, we committed to sell the U.S. consumer property and casualty insurance business of our Insurance operations. These operations provided vehicle and home insurance in the United States through a number of distribution channels including independent agents, affinity groups, and the internet. The sale of our U.S. consumer property and casualty insurance business was completed during the first quarter of 2010. Additionally, during 2009, we committed to sell the U.K. consumer property and casualty insurance business. We are in active negotiations and expect to complete the sale during the first half of 2011.

During the three months ended June 30, 2010, we ceased to operate at our International Automotive Finance operations in Australia and Russia and classified them as discontinued.

During 2009, we committed to sell certain operations of our International Automotive Finance operations including our Argentina, Poland, and Ecuador operations and our Masterlease operations in Australia, Belgium, France, Italy, Mexico, the Netherlands, Poland, and the United Kingdom. Our Masterlease operations provide full-service individual leasing and fleet leasing products including maintenance, fleet, and accident management services as well as fuel programs, short-term vehicle rental, and title and licensing services. During 2009, the sales of the Masterlease operations in Italy, Mexico, and the Netherlands were completed. During the three months ended June 30, 2010, we completed the sale of our Poland operations and our Masterlease operations in Australia, Poland, Belgium, and France. In July 2010, we completed the sale of our Argentina operations. We are in active negotiations to complete the sale of our Masterlease operations in the United Kingdom and are awaiting satisfaction of certain closing conditions involving third parties in order to complete the sale of our Ecuador operations. We expect both to be completed within the next six months.

During 2009, we committed to sell the North American-based factoring business of our Commercial Finance Group. On April 30, 2010, the sale of the North American-based factoring business was completed.

We classified these operations as discontinued operations using generally accepted accounting principles in the United States of America, as the associated operations and cash flows will be eliminated from our ongoing operations and we will not have any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these operations were removed from continuing operations and are presented separately as discontinued operations, net of tax. The Notes to the Condensed Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted.

The pretax income or loss recognized through September 30, 2010, for the discontinued operations, including the direct costs to transact a sale, could differ from the ultimate sales price due to the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign currency rates, and future economic conditions.

Selected financial information of discontinued operations is summarized below.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Select Mortgage operations				
Total net revenue (loss)	**$ 25**	$ (29)	**$ 69**	$ (615)
Pretax (loss) income including direct costs to transact a sale	**(46)**	(91)	**56**	(861)
Tax expense (benefit)	**5**	(2)	**(3)**	(2)
Select Insurance operations				
Total net revenue	**$ 57**	$ 358	**$ 357**	$ 1,112
Pretax income (loss) including direct costs to transact a sale (a)	**3**	(52)	**(3)**	(604)
Tax (benefit)	**—**	(98)	**(1)**	(84)
Select International operations				
Total net revenue	**$ 24**	$ 102	**$ 97**	$ 264
Pretax income (loss) including direct costs to transact a sale (a)	**34**	(203)	**92**	(201)
Tax (benefit)	**(4)**	(47)	**(3)**	(43)
Select Commercial Finance operations				
Total net revenue	**$ —**	$ 17	**$ 11**	$ 32
Pretax income (loss) including direct costs to transact a sale (a)	**1**	2	**8**	(6)
Tax expense	**—**	1	**—**	1

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

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Held-for-sale Operations

The assets and liabilities held-for-sale at September 30, 2010, are summarized below.

($ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	$ 62	$ 11	$ 1	$ 74
Interest-bearing	48	4	9	61
Total cash and cash equivalents	110	15	10	135
Trading securities	25	—	—	25
Investment securities — available-for-sale	—	474	—	474
Loans held-for-sale, net	170	—	—	170
Finance receivables and loans, net				
Consumer	314	—	249	563
Allowance for loan losses	(26)	—	(2)	(28)
Total finance receivables and loans, net	288	—	247	535
Investment in operating leases, net	—	—	354	354
Premiums receivable and other insurance assets	—	163	—	163
Other assets	185	142	23	350
Impairment on assets of held-for-sale operations	(307)	(206)	(101)	(614)
Total assets	$ 471	$ 588	$ 533	$ 1,592
Liabilities				
Debt				
Short-term borrowings	$ —	$ —	$ 44	$ 44
Long-term debt	—	—	121	121
Total debt	—	—	165	165
Interest payable	—	—	1	1
Unearned insurance premiums and service revenue	—	127	—	127
Reserves for insurance losses and loss adjustment expenses	—	372	—	372
Accrued expenses and other liabilities	8	37	33	78
Total liabilities	$ 8	$ 536	$ 199	$ 743

(a) Includes operations of ResCap's International Business Group in continental Europe and in the United Kingdom. These operations were sold on October 1, 2010.
(b) Includes the U.K. consumer property and casualty insurance business and certain international insurance operations.
(c) Includes the International Automotive Finance operations of Ecuador and Masterlease in the United Kingdom.

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The assets and liabilities of held-for-sale operations at December 31, 2009, are summarized below.

($ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select International operations (c)	Select Commercial Finance Group operations (d)	Total held-for-sale operations
Assets					
Cash and cash equivalents					
Noninterest-bearing	$ 4	$ 578	$ 33	$ —	$ 615
Interest-bearing	151	—	11	—	162
Total cash and cash equivalents	155	578	44	—	777
Trading securities	36	—	—	—	36
Investment securities — available-for-sale	—	794	—	—	794
Loans held-for-sale, net	214	—	—	—	214
Finance receivables and loans, net					
Consumer	2,650	—	400	—	3,050
Commercial	—	—	246	233	479
Notes receivable from General Motors	—	—	14	—	14
Allowance for loan losses	(89)	—	(11)	—	(100)
Total finance receivables and loans, net	2,561	—	649	233	3,443
Investment in operating leases, net	—	—	885	—	885
Mortgage servicing rights	(26)	—	—	—	(26)
Premiums receivable and other insurance assets	—	1,126	—	—	1,126
Other assets	512	176	135	—	823
Impairment on assets of held-for-sale operations	(903)	(231)	(324)	(30)	(1,488)
Total assets	$ 2,549	$ 2,443	$ 1,389	$ 203	$ 6,584
Liabilities					
Debt					
Short-term borrowings	$ —	$ 34	$ 57	$ —	$ 91
Long-term debt	1,749	—	237	—	1,986
Total debt	1,749	34	294	—	2,077
Interest payable	3	—	1	—	4
Unearned insurance premiums and service revenue	—	517	—	—	517
Reserves for insurance losses and loss adjustment expenses	—	1,471	—	—	1,471
Accrued expenses and other liabilities	430	84	128	187	829
Total liabilities	$ 2,182	$ 2,106	$ 423	$ 187	$ 4,898

(a) Includes the operations of ResCap's International Business Group in continental Europe and in the United Kingdom.
(b) Includes the U.S. and U.K. consumer property and casualty insurance businesses.
(c) Includes the International Automotive Finance operations of Argentina, Ecuador, and Poland and Masterlease in Australia, Belgium, France, Poland, and the United Kingdom.
(d) Includes the North American-based factoring business of our Commercial Finance Group.

Recurring Fair Value

The following tables display the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities. Refer to Note 19 for descriptions of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

	Recurring fair value measurements			
September 30, 2010 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading securities				
Mortgage-backed				
Residential	**$ —**	**$ —**	**$ 25**	**$ 25**
Total trading securities	**—**	**—**	**25**	**25**
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	**308**	**—**	**—**	**308**
Other	**—**	**166**	**—**	**166**
Total debt securities	**308**	**166**	**—**	**474**
Total assets	**$ 308**	**$ 166**	**$ 25**	**$ 499**

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December 31, 2009 *($ in millions)*	Recurring fair value measurements Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed				
Residential	$ —	$ —	$ 36	$ 36
Total trading securities	—	—	36	36
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	243	2	—	245
States and political subdivisions	—	24	—	24
Foreign government	329	—	—	329
Corporate debt securities	—	7	—	7
Other	—	189	—	189
Total debt securities	572	222	—	794
Mortgage servicing rights	—	—	(26)	(26)
Other assets				
Interests retained in financial asset sales	—	—	153	153
Fair value of derivative contracts in receivable position				
Interest rate contracts	—	60	—	60
Total assets	$ 572	$ 282	$ 163	$ 1,017
Liabilities				
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	$ —	$ (40)	$ —	$ (40)
Total liabilities	$ —	$ (40)	$ —	$ (40)

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

($ in millions)	Level 3 recurring fair value measurements Fair value at July 1, 2010	Net realized/ unrealized gains (losses) included in earnings (a)	Purchases, issuances, and settlements, net	Fair value at September 30, 2010	Net unrealized gains included in earnings still held at September 30, 2010 (a)
Assets					
Trading securities					
Mortgage-backed					
Residential	$ —	$ 3	$ 22	$ 25	$ 3
Consumer mortgage finance receivables and loans, net (b)	8,398	7	(8,405)	—	—
Total assets	$ 8,398	$ 10	$ (8,383)	$ 25	$ 3
Liabilities					
Secured debt					
On-balance sheet securitization debt (b)	$ (7,857)	$ (254)	$ 8,111	$ —	$ —
Total liabilities	$ (7,857)	$ (254)	$ 8,111	$ —	$ —

(a) Reported as (loss) income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.

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($ in millions)	Fair value at January 1, 2010	Net realized/ unrealized gains (losses) included in earnings (a)	Purchases, issuances, and settlements, net	Fair value at September 30, 2010	Net unrealized gains included in earnings still held at September 30, 2010 (a)
	Level 3 recurring fair value measurements				
Assets					
Trading securities					
Mortgage-backed					
Residential	$ 36	$ 3	$ (14)	$ 25	$ 3
Total trading securities	36	3	(14)	25	3
Consumer mortgage finance receivables and loans, net (b)	—	422	(422) (c)	—	—
Mortgage servicing rights	(26)	—	26	—	—
Other assets					
Interests retained in financial asset sales	153	—	(153)	—	—
Total assets	$ 163	$ 425	$ (563)	$ 25	$ 3
Liabilities					
Secured debt					
On-balance sheet securitization debt (b)	$ —	$ (57)	$ 57 (c)	$ —	$ —
Total liabilities	$ —	$ (57)	$ 57	$ —	$ —

(a) Reported as (loss) income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.
(c) Includes a $10.1 billion increase due to the adoption of ASU 2009-17 on January 1, 2010. This increase was subsequently offset when the operations were sold on September 30, 2010.

3. Other Income, Net of Losses

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

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Mortgage processing fees and other mortgage income	**$ 63**	$ 45	**$ 157**	$ 58
Remarketing fees	**37**	32	**104**	103
Late charges and other administrative fees	**35**	45	**107**	117
Full-service leasing fees	**17**	33	**58**	96
Other equity method investments	**15**	3	**40**	10
Real estate services, net	**—**	(5)	**8**	(263)
Change due to fair value option elections (a)	**(52)**	(55)	**(181)**	(147)
Fair value adjustment on certain derivatives (b)	**(57)**	(31)	**(115)**	(92)
Other, net	**123**	162	**278**	24
Total other income, net of losses	**$ 181**	$ 229	**$ 456**	$ (94)

(a) Refer to Note 19 for a description of fair value option elections.
(b) Refer to Note 16 for a description of derivative instruments and hedging activities.

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4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
Mortgage representation and warranty expense, net	**$ 344**	$ 507	**$ 490**	$ 917
Insurance commissions	**150**	170	**446**	483
Technology and communications expense	**118**	133	**390**	434
Professional services	**82**	122	**201**	327
Advertising and marketing	**49**	50	**123**	124
Vehicle remarketing and repossession	**43**	46	**145**	151
Lease and loan administration	**40**	37	**107**	118
Regulatory and licensing fees	**32**	24	**87**	72
State and local non-income taxes	**31**	45	**92**	100
Premises and equipment depreciation	**24**	17	**63**	61
Rent and storage	**22**	28	**73**	79
Full-service leasing vehicle maintenance costs	**14**	35	**50**	99
Restructuring expenses	**4**	9	**61**	9
Other	**141**	273	**477**	603
Total other operating expenses	**$ 1,094**	$ 1,496	**$ 2,805**	$ 3,577

5. Trading Securities

The fair value for our portfolio of trading securities by type was as follows.

($ in millions)	**September 30, 2010**	December 31, 2009
Trading securities		
U.S. Treasury	**$ 75**	$ —
Mortgage-backed		
Residential	**46**	143
Asset-backed	**90**	596
Total trading securities	**$ 211**	$ 739

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6. Investment Securities

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

($ in millions)	September 30, 2010 Cost	Gross unrealized gains	Gross unrealized losses	Fair value	December 31, 2009 Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$ 2,625	$ 44	$ —	$ 2,669	$ 3,501	$ 15	$ (6)	$ 3,510
States and political subdivisions	4	—	—	4	779	36	(4)	811
Foreign government	1,265	36	(2)	1,299	1,161	20	(8)	1,173
Mortgage-backed								
Residential (a)	3,655	81	(5)	3,731	3,404	76	(19)	3,461
Asset-backed	1,676	20	—	1,696	1,000	7	(2)	1,005
Corporate debt	1,339	59	(2)	1,396	1,408	74	(9)	1,473
Other	—	—	—	—	47	—	—	47
Total debt securities (b)	10,564	240	(9)	10,795	11,300	228	(48)	11,480
Equity securities	1,166	30	(66)	1,130	631	52	(8)	675
Total available-for-sale securities (c)	$11,730	$ 270	$ (75)	$11,925	$11,931	$ 280	$ (56)	$12,155
Held-to-maturity securities								
Total held-to-maturity securities	$ —	$ —	$ —	$ —	$ 3	$ —	$ —	$ 3

(a) Residential mortgage-backed securities include agency-backed bonds totaling $2,242 million and $2,248 million at September 30, 2010, and December 31, 2009, respectively.
(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, $165 million and $164 million of primarily U.K. Treasury securities were pledged as collateral at September 30, 2010, and December 31, 2009, respectively.
(c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $13 million and $15 million at September 30, 2010, and December 31, 2009, respectively.

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

September 30, 2010 ($ in millions)	Total Amount	Total Yield	Due in one year or less Amount	Due in one year or less Yield	Due after one year through five years Amount	Due after one year through five years Yield	Due after five years through ten years Amount	Due after five years through ten years Yield	Due after ten years (a) Amount	Due after ten years (a) Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$ 2,669	1.4%	$ 384	0.7%	$ 2,274	1.5%	$ 11	3.7%	$ —	—%
States and political subdivisions	4	8.7	—	—	—	—	—	—	4	8.7
Foreign government	1,299	2.9	6	1.1	1,132	2.8	161	3.7	—	—
Mortgage-backed										
Residential	3,731	4.6	—	—	58	3.5	51	4.5	3,622	4.6
Asset-backed	1,696	2.4	1	—	1,219	2.2	298	2.4	178	3.5
Corporate debt	1,396	4.3	25	5.4	684	3.8	517	4.5	170	5.2
Total available-for-sale debt securities	$ 10,795	3.2%	$ 416	0.9%	$ 5,367	2.3%	$ 1,038	3.8%	$ 3,974	4.6%
Amortized cost of available-for-sale debt securities	$ 10,564		$ 417		$ 5,256		$ 992		$ 3,899	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.
(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

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December 31, 2009 *($ in millions)*	Total Amount	Total Yield	Due in one year or less Amount	Due in one year or less Yield	Due after one year through five years Amount	Due after one year through five years Yield	Due after five years through ten years Amount	Due after five years through ten years Yield	Due after ten years (a) Amount	Due after ten years (a) Yield
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$ 3,510	1.9%	$ 103	1.1%	$ 3,390	1.9%	$ 17	4.1%	$ —	—%
States and political subdivisions	811	7.0	9	7.0	175	7.2	147	7.0	480	6.9
Foreign government	1,173	3.8	66	1.7	872	3.8	229	4.5	6	5.3
Mortgage-backed										
Residential	3,461	6.5	—	—	2	6.5	36	13.0	3,423	6.4
Asset-backed	1,005	2.5	34	5.2	735	2.3	186	2.6	50	3.9
Corporate debt	1,473	5.2	283	3.4	575	5.8	570	5.4	45	6.9
Other	47	3.6	—	—	32	3.4	15	4.0	—	—
Total available-for-sale debt securities	$11,480	4.3%	$ 495	2.8%	$ 5,781	2.8%	$ 1,200	5.2%	$ 4,004	6.5%
Amortized cost of available-for-sale debt securities	$11,300		$ 473		$ 5,728		$ 1,169		$ 3,930	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.
(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

Certain highly liquid investment securities with maturities of three months or less from the date of purchase are classified as cash equivalents and are composed primarily of money market accounts and short-term securities, including U.S. Treasury bills. The carrying value of cash equivalents approximates fair value. The balance of cash equivalents was $5.8 billion and $1.8 billion at September 30, 2010, and December 31, 2009, respectively.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

($ in millions)	Three months ended September 30, **2010**	Three months ended September 30, 2009	Nine months ended September 30, **2010**	Nine months ended September 30, 2009
Gross realized gains	**$ 102**	$ 112	**$ 381**	$ 247
Gross realized losses	**(2)**	(28)	**(25)**	(86)
Other-than-temporary impairment	**—**	—	**(1)**	(47)
Net realized gains	**$ 100**	$ 84	**$ 355**	$ 114

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

($ in millions)	Three months ended September 30, **2010**	Three months ended September 30, 2009	Nine months ended September 30, **2010**	Nine months ended September 30, 2009
Taxable interest	**$ 83**	$ 36	**$ 256**	$ 129
Taxable dividends	**5**	3	**13**	6
Interest and dividends exempt from U.S. federal income tax	**—**	10	**10**	27
Total interest and dividends	**$ 88**	$ 49	**$ 279**	$ 162

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The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of September 30, 2010, we do not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of September 30, 2010, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at September 30, 2010.

	September 30, 2010				December 31, 2009			
	Less than 12 months		**12 months or longer**		Less than 12 months		12 months or longer	
($ in millions)	**Fair value**	**Unrealized loss**	**Fair value**	**Unrealized loss**	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 7**	**$ —**	**$ —**	**$ —**	$1,430	$ (6)	$ —	$ —
States and political subdivisions	**—**	**—**	**—**	**—**	82	(2)	8	(2)
Foreign government securities	**58**	**(2)**	**—**	**—**	536	(8)	—	—
Mortgage-backed securities	**876**	**(5)**	**1**	**—**	811	(14)	6	(5)
Asset-backed securities	**2**	**—**	**2**	**—**	202	(1)	22	(1)
Corporate debt securities	**176**	**(2)**	**—**	**—**	47	(1)	120	(8)
Other	**—**	**—**	**—**	**—**	7	—	—	—
Total temporarily impaired debt securities	**1,119**	**(9)**	**3**	**—**	3,115	(32)	156	(16)
Temporarily impaired equity securities	**575**	**(64)**	**19**	**(2)**	115	(5)	52	(3)
Total temporarily impaired available-for-sale securities	**$1,694**	**$ (73)**	**$ 22**	**$ (2)**	$3,230	$ (37)	$ 208	$ (19)

We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value, the financial health of and business outlook for the issuer, changes to the rating of the security by a rating agency, the performance of the underlying assets for interests in securitized assets, whether we intend to sell the investment, and whether it is more likely than not we will be required to sell the debt security before recovery of its amortized cost basis.

7. Loans Held-for-sale, Net

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

	September 30, 2010			December 31, 2009		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Automobile	**$ 930**	**$ 119**	**$ 1,049**	$ 9,417	$ 184	$ 9,601
1st Mortgage	**11,135**	**143**	**11,278**	9,269	530	9,799
Home equity	**938**	**—**	**938**	1,068	—	1,068
Total consumer (a)	**13,003**	**262**	**13,265**	19,754	714	20,468
Commercial						
Commercial and industrial						
Other	**—**	**—**	**—**	—	157	157
Total loans held-for-sale (b)	**$ 13,003**	**$ 262**	**$13,265**	$ 19,754	$ 871	$20,625

(a) Fair value option-elected domestic residential mortgages were $7.0 billion and $5.5 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information related to these government- and agency-eligible loans.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs of $148 million and $318 million at September 30, 2010, and December 31, 2009, respectively.

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8. Finance Receivables and Loans, Net

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

	September 30, 2010			December 31, 2009		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
Automobile	**$ 29,888**	**$16,206**	**$46,094**	$ 12,514	$17,731	$30,245
1st Mortgage	**8,653**	**911**	**9,564**	7,960	405	8,365
Home equity	**4,527**	**—**	**4,527**	4,238	1	4,239
Total consumer (a)	**43,068**	**17,117**	**60,185**	24,712	18,137	42,849
Commercial						
Commercial and industrial						
Automobile	**23,576**	**7,529**	**31,105**	19,601	7,035	26,636
Mortgage	**2,038**	**75**	**2,113**	1,572	96	1,668
Resort finance	**—**	**—**	**—**	843	—	843
Other	**2,061**	**375**	**2,436**	1,845	437	2,282
Commercial real estate						
Automobile	**2,055**	**243**	**2,298**	2,008	221	2,229
Mortgage	**5**	**93**	**98**	121	162	283
Total commercial	**29,735**	**8,315**	**38,050**	25,990	7,951	33,941
Notes receivable from General Motors	**—**	**483**	**483**	3	908	911
Total finance receivables and loans (b)	**$ 72,803**	**$25,915**	**$98,718**	$ 50,705	$26,996	$77,701

(a) Fair value option-elected residential mortgages were $2.9 billion and $1.3 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $2.8 billion and $2.4 billion at September 30, 2010, and December 31, 2009, respectively.

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

	2010			2009		
Three months ended September 30, *($ in millions)*	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at July 1,	**$ 1,779**	**$ 598**	**$2,377**	$ 2,307	$ 994	$ 3,301
Provision for loan losses	**86**	**(77)**	**9**	537	143	680
Charge-offs						
Domestic	**(248)**	**(98)**	**(346)**	(682)	(244)	(926)
Foreign	**(46)**	**(38)**	**(84)**	(158)	(37)	(195)
Total charge-offs	**(294)**	**(136)**	**(430)**	(840)	(281)	(1,121)
Recoveries						
Domestic	**71**	**4**	**75**	62	5	67
Foreign	**19**	**2**	**21**	20	—	20
Total recoveries	**90**	**6**	**96**	82	5	87
Net charge-offs	**(204)**	**(130)**	**(334)**	(758)	(276)	(1,034)
Discontinued operations	**—**	**(1)**	**(1)**	22	3	25
Other	**13**	**(10)**	**3**	(2)	4	2
Allowance at September 30,	**$ 1,674**	**$ 380**	**$2,054**	$ 2,106	$ 868	$ 2,974

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Nine months ended September 30, *($ in millions)*	**2010** Consumer	Commercial	Total	2009 Consumer	Commercial	Total
Allowance at January 1,	**$ 1,664**	**$ 781**	**$ 2,445**	$ 2,536	$ 897	$ 3,433
Provision for loan losses	**431**	**(56)**	**375**	1,832	711	2,543
Charge-offs						
Domestic	**(795)**	**(250)**	**(1,045)**	(1,922)	(716)	(2,638)
Foreign	**(157)**	**(91)**	**(248)**	(773)	(55)	(828)
Total charge-offs	**(952)**	**(341)**	**(1,293)**	(2,695)	(771)	(3,466)
Recoveries						
Domestic	**257**	**12**	**269**	172	11	183
Foreign	**54**	**11**	**65**	49	5	54
Total recoveries	**311**	**23**	**334**	221	16	237
Net charge-offs	**(641)**	**(318)**	**(959)**	(2,474)	(755)	(3,229)
Addition of allowance due to change in accounting principle (a)	**222**	**—**	**222**	—	—	—
Discontinued operations	**(1)**	**(3)**	**(4)**	160	6	166
Other	**(1)**	**(24)**	**(25)**	52	9	61
Allowance at September 30,	**$ 1,674**	**$ 380**	**$ 2,054**	$ 2,106	$ 868	$ 2,974

(a) Effect of change in accounting principle due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to Note 1 for additional information.

The following tables present information about our impaired finance receivables and loans. These tables exclude loans carried at fair value due to the fair value option elections.

($ in millions)	**September 30, 2010** Consumer	Commercial	Total	December 31, 2009 Consumer	Commercial	Total
Impaired finance receivables and loans						
With an allowance	**$ 430**	**$ 636**	**$1,066**	$ 252	$ 1,760	$2,012
Without an allowance	**40**	**209**	**249**	16	296	312
Total impaired loans	**$ 470**	**$ 845**	**$1,315**	$ 268	$ 2,056	$2,324
Allowance for impaired loans	**$ 105**	**$ 247**	**$ 352**	$ 80	$ 488	$ 568

Three months ended September 30, *($ in millions)*	**2010** Consumer	Commercial	Total	2009 Consumer	Commercial	Total
Average balance of impaired loans	**$ 435**	**$ 1,318**	**$1,753**	$ 769	$ 2,891	$3,660
Interest income recognized on impaired loans	**$ 6**	**$ 8**	**$ 14**	$ 6	$ 27	$ 33

Nine months ended September 30, *($ in millions)*	**2010** Consumer	Commercial	Total	2009 Consumer	Commercial	Total
Average balance of impaired loans	**$ 363**	**$ 1,633**	**$1,996**	$ 592	$ 3,009	$3,601
Interest income recognized on impaired loans	**$ 13**	**$ 12**	**$ 25**	$ 22	$ 47	$ 69

At September 30, 2010, and December 31, 2009, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in troubled debt restructuring were $16 million and $12 million, respectively.

9. Off-balance Sheet Securitizations

We sell pools of automotive and residential mortgage loans and contracts via securitization transactions, which provide permanent funding and facilitates asset and liability management. In executing the securitization transactions, we typically sell the pools to wholly owned bankruptcy-remote special-purpose entities (SPEs), which then transfer the loans or contracts to a separate, transaction-specific SPE (a securitization trust) for cash, servicing rights, and in some transactions, other retained interests. The securitization trust issues interests and interests are sold to investors. These interests are collateralized by the secured loans or contracts and entitle the investors to specified cash flows generated from the securitized loans or contracts.

Our securitization transactions are accounted for under the requirements of ASC 810, *Consolidation* , and ASC 860, *Transfers and Servicing* . ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* , amended ASC 810 and ASC 860. These standards became effective on January 1, 2010, and required the prospective consolidation of certain securitization assets and liabilities that were previously held off-balance sheet. We reflected our economic interest in these newly consolidated structures primarily through loans and secured debt rather than as interests held in off-balance sheet securitization trusts. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17. Refer to Note 20 for additional information related to the consolidation of certain securitization trusts due to the adoption of the new standards.

The following discussion and related information is only applicable to the transfers of finance receivables and loans that qualify for off-balance sheet treatment.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization vehicle. The securitization vehicle is generally allowed to acquire the loans or contracts being sold to it, to issue interests to investors to fund the acquisition of the loans or contracts, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the asset pool or debt securities. Additionally, the securitization vehicle is required to service the assets it holds and the debt or interest it issues. A servicer appointed within the underlying legal documents performs these functions. Servicing functions include, but are not limited to, collecting payments from borrowers, performing escrow functions, monitoring delinquencies, liquidating assets, investing funds until distribution, remitting payments to investors, and accounting for and reporting information to investors. As part of our off-balance sheet securitizations, we typically retain servicing responsibilities and, in some cases, other retained interests. Accordingly, our servicing responsibilities result in continued involvement in the form of servicing the underlying asset (primary servicing) and/or servicing the bonds resulting from the securitization transactions (master servicing) through servicing platforms. Certain securitizations require the servicer to advance scheduled principal and interest payments due on the pool regardless of whether they are received from borrowers. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 1 to the Condensed Financial Statements in our 2009 Annual Report on Form 10-K regarding the valuation of servicing rights. Subsequent to the adoption of ASU 2009-16 and ASU 2009-17 as of January 1, 2010, we generally do not hold significant or potentially significant retained interests in our securitization trusts that qualify for off-balance sheet treatment under ASU 2009-17.

Generally, the assets initially transferred into the securitization vehicle are the sole repayment source to the investors in the securitization trust and the various other parties that perform services for the transaction, such as the servicer or the trustee. In certain transactions, a liquidity provider or facility may exist to provide temporary liquidity to the structure. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. Bond insurance may also exist to cover certain shortfalls to certain investors. As noted above, in certain securitizations, the servicer is required to advance scheduled principal and interest payments due on the pool regardless of whether they were received from the borrowers. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain securitization transactions may allow for the acquisition of additional loans or contracts subsequent to the initial loan. Principal collections on other loans and/or the issuance of new interests, such as variable funding notes, generally fund these loans; we are often contractually required to invest in these new interests. Lastly, we provide certain guarantees as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

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The investors and/or securitization trusts have no recourse to us with the exception of market customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions. Representation and warranty repurchase provisions generally require us to repurchase loans or contracts to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Due to market conditions, early payment default provisions are included in certain securitization transactions that require us to repurchase loans or contracts if the borrower is delinquent in making certain specific payments subsequent to the sale.

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining assets or outstanding debt once the asset pool reaches a predefined level, which represents the point where servicing is burdensome rather than beneficial. Such an option is referred to as a clean-up call. As servicer, we are able to exercise this option at our discretion anytime after the asset pool size falls below the predefined level. The repurchase price for the loans or contracts is typically par plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase the asset if certain events, outside our control, are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We have complete discretion regarding when or if we will exercise these options, but generally, we would do so when it is in our best interest.

The loans or contracts sold into off-balance sheet securitization transactions are removed from our balance sheet. The assets obtained from the securitization are primarily reported as cash, servicing rights, or (if retained) retained interests. Typically, we conclude that the fee we are paid for servicing retail automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We elected fair value treatment for our existing mortgage servicing rights (MSRs) portfolio. Liabilities incurred as part of the transaction, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans or contracts, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The following summarizes the pretax gains and losses recognized on the types of loans or contracts sold into off-balance sheet securitization transactions.

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2010**	2009	**2010**	2009
Retail finance receivables	**$ —**	$ —	**$ —**	$ —
Automotive wholesale loans	**—**	8	**—**	110
Mortgage loans	**(1)**	—	**3**	(4)
Total pretax (loss) gain on off-balance sheet activities	**$ (1)**	$ 8	**$ 3**	$ 106

The following summarizes the type and amount of loans held by the securitization trusts in transactions that qualified for off-balance sheet treatment.

($ in billions)	**September 30, 2010**	December 31, 2009
Retail finance receivables	**$ —**	$ 7.5
Automotive wholesale loans	**—**	—
Mortgage loans (a)	**72.8**	99.6
Total off-balance sheet activities	**$ 72.8**	$ 107.1

(a) Excludes $148 million and $237 million of delinquent loans held by securitization trusts at September 30, 2010, and December 31, 2009, respectively, that we have the option to repurchase as they are included in consumer finance receivables and loans and mortgage loans held-for-sale.

10. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	**September 30, 2010**	December 31, 2009
Vehicles and other equipment, after impairment	**$ 15,483**	$ 23,919
Accumulated depreciation	**(5,270)**	(7,924)
Investment in operating leases, net	**$ 10,213**	$ 15,995

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

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2010**	2009	**2010**	2009
Depreciation expense on operating lease assets (excluding remarketing gains)	**$ 618**	$ 1,056	**$ 2,183**	$ 3,325
Gross remarketing gains	**(164)**	(162)	**(547)**	(318)
Depreciation expense on operating lease assets	**$ 454**	$ 894	**$ 1,636**	$ 3,007

11. Mortgage Servicing Rights

The following tables summarize activity related to MSRs carried at fair value. Sufficient market inputs exist to determine the fair value of our recognized servicing assets and servicing liabilities.

Three months ended September 30, *($ in millions)*	**2010**	2009
Estimated fair value at July 1,	**$ 2,983**	$ 3,509
Additions recognized on sale of mortgage loans	**260**	206
Additions from purchases of servicing assets	**24**	6
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**(278)**	(216)
Other changes in fair value (a)	**(244)**	(278)
Other changes that affect the balance	**1**	16
Estimated fair value at September 30,	**$ 2,746**	$ 3,243

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

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Nine months ended September 30, *($ in millions)*	**2010**	2009
Estimated fair value at January 1,	**$ 3,554**	$ 2,848
Additions recognized on sale of mortgage loans	**628**	579
Additions from purchases of servicing assets	**45**	12
Subtractions from sales of servicing assets	**—**	(19)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**(772)**	779
Other changes in fair value (a)	**(694)**	(970)
Decrease due to change in accounting principle (b)	**(19)**	—
Other changes that affect the balance	**4**	14
Estimated fair value at September 30,	**$ 2,746**	$ 3,243

(a) Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.
(b) The effect of change in accounting principle was due to the adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to Note 1 for additional information.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models include all changes due to revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

We use the following key assumptions to value our MSRs.

September 30,	**2010**	2009
Range of prepayment speeds	**8.0–44.2%**	0.7–49.4%
Range of discount rates	**2.2–25.6%**	3.0–130.0%

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments, which could reduce the value of the MSRs. We economically hedge the income statement impact of these risks with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures and forward contracts, and/or purchasing or selling U.S. Treasury and principal-only securities. Refer to Note 16 for additional information regarding derivative instruments. The net fair value of derivative financial instruments used to mitigate these risks amounted to $817 million and $675 million at September 30, 2010 and 2009, respectively. The changes in fair value of the derivative financial instruments amounted to a gain of $1.3 billion and a loss of $519 million for the nine months ended September 30, 2010 and 2009, respectively, and were included in servicing asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.

The components of mortgage servicing fees were as follows.

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2010**	2009	**2010**	2009
Contractual servicing fees, net of guarantee fees and including subservicing	**$ 270**	$ 267	**$ 793**	$ 820
Late fees	**17**	18	**56**	63
Ancillary fees	**56**	38	**146**	112
Total	**$ 343**	$ 323	**$ 995**	$ 995

Our Mortgage operations that conduct primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with government-sponsored entities. At September 30, 2010, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

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12. Other Assets

The components of other assets were as follows.

($ in millions)	**September 30, 2010**	December 31, 2009
Property and equipment at cost	**$ 1,305**	$ 1,416
Accumulated depreciation	**(943)**	(1,080)
Net property and equipment	**362**	336
Fair value of derivative contracts in receivable position	**5,940**	2,654
Restricted cash collections for securitization trusts (a)	**2,879**	3,654
Restricted cash and cash equivalents	**1,955**	1,590
Servicer advances	**1,954**	2,180
Collateral placed with counterparties	**1,606**	1,760
Cash reserve deposits held-for-securitization trusts (b)	**1,245**	1,594
Other accounts receivable	**809**	573
Debt issuance costs	**755**	829
Prepaid expenses and deposits	**661**	749
Interests retained in financial asset sales	**533**	471
Goodwill	**525**	526
Investment in used vehicles held-for-sale	**400**	522
Accrued interest and rent receivable	**301**	326
Real estate and other investments	**270**	340
Repossessed and foreclosed assets	**263**	336
Other assets	**1,359**	1,447
Total other assets	**$ 21,817**	$ 19,887

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.
(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.

13. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	**September 30, 2010**	December 31, 2009
Domestic deposits		
Noninterest-bearing deposits	**$ 2,539**	$ 1,755
NOW and money market checking accounts	**7,965**	7,213
Certificates of deposit	**22,516**	19,861
Dealer deposits	**1,421**	1,041
Total domestic deposits	**34,441**	29,870
Foreign deposits		
Noninterest-bearing deposits	**8**	—
NOW and money market checking accounts	**776**	165
Certificates of deposit	**2,456**	1,555
Dealer deposits	**276**	166
Total foreign deposits	**3,516**	1,886
Total deposit liabilities	**$ 37,957**	$ 31,756

Noninterest-bearing deposits primarily represent third-party escrows associated with our Mortgage operations' loan servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At September 30, 2010, and December 31, 2009, certificates of deposit included $6.3 billion and $4.8 billion, respectively, of domestic certificates of deposit in denominations of $100 thousand or more.

14. Debt

The following table presents the composition of our debt portfolio at September 30, 2010, and December 31, 2009.

	September 30, 2010			December 31, 2009		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Short-term debt						
Commercial paper	**$ —**	**$ —**	**$ —**	$ 8	$ —	$ 8
Demand notes	**1,799**	**—**	**1,799**	1,311	—	1,311
Bank loans and overdrafts	**1,772**	**—**	**1,772**	1,598	—	1,598
Repurchase agreements and other	**281**	**2,062**	**2,343**	348	7,027	7,375
Total short-term debt	**3,852**	**2,062**	**5,914**	3,265	7,027	10,292
Long-term debt						
Due within one year	**8,410**	**13,463**	**21,873**	7,429	18,898	26,327
Due after one year (a)	**37,943**	**26,780**	**64,723**	38,331	22,834	61,165
Total long-term debt (b)	**46,353**	**40,243**	**86,596**	45,760	41,732	87,492
Fair value adjustment (c)	**951**	**—**	**951**	529	—	529
Total debt	**$ 51,156**	**$ 42,305**	**$93,461**	$ 49,554	$48,759	$98,313

(a) Includes $7.4 billion at both September 30, 2010, and December 31, 2009, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP).
(b) Includes fair value option-elected secured long-term debt of $2.8 billion and $1.3 billion at September 30, 2010, and December 31, 2009, respectively. Refer to Note 19 for additional information.
(c) Amount represents the hedge accounting adjustment on fixed rate debt.

The following table presents the scheduled maturity of long-term debt at September 30, 2010, assuming that no early redemptions occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, *($ in millions)*	Unsecured (a)	Secured (b)	Total
2010	$ 593	$ 4,231	$ 4,824
2011	9,538	11,974	21,512
2012	12,567	7,273	19,840
2013	1,884	7,750	9,634
2014	1,975	2,617	4,592
2015 and thereafter	23,230	2,930	26,160
Original issue discount (c)	(3,434)	—	(3,434)
Troubled debt restructuring concession (d)	—	372	372
Long-term debt	46,353	37,147	83,500
Collateralized borrowings in securitization trusts (e)	—	3,096	3,096
Total long-term debt	$ 46,353	$ 40,243	$86,596

(a) Scheduled maturities of ResCap unsecured long-term debt are as follows: $0 million in 2010; $208 million in 2011; $358 million in 2012; $529 million in 2013; $102 million in 2014; and $114 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally.
(b) Scheduled maturities of ResCap secured long-term debt are as follows: $0 million in 2010; $508 million in 2011; $0 million in 2012; $707 million in 2013; $707 million in 2014; and $897 million in 2015 and thereafter. These maturities exclude ResCap debt held by Ally and collateralized borrowings in securitization trusts.
(c) Scheduled remaining amortization of original issue discount is as follows: $302 million in 2010; $968 million in 2011; $343 million in 2012; $257 million in 2013; $184 million in 2014; and $1,380 million in 2015 and thereafter.
(d) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain new secured notes . This concession is being amortized over the life of the new notes through a reduction to interest expense using an effective yield methodology. Scheduled remaining amortization of the troubled debt restructuring concession is as follows: $25 million in 2010; $101 million in 2011; $105 million in 2012; $82 million in 2013; $46 million in 2014; and $13 million in 2015 and thereafter.
(e) Collateralized borrowings in securitization trusts represent mortgage-lending-related debt that is repaid using cash flows from the underlying collateral of mortgage loans.

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

	September 30, 2010		December 31, 2009	
($ in millions)	**Assets**	**Related secured debt**	Assets	Related secured debt
Loans held-for-sale	**$ 1,331**	**$ 1,398**	$ 1,420	$ 454
Consumer and commercial mortgage finance receivables and loans, net	**3,389**	**3,415**	1,946	1,673
Consumer automotive finance receivables and loans, net (a)	**23,644**	**19,939**	19,203	13,597
Commercial automotive finance receivables and loans, net (b)	**14,190**	**7,577**	16,352	8,565
Investment securities	**40**	**—**	63	—
Investment in operating leases, net	**4,255**	**2,918**	13,323	9,208
Mortgage servicing rights	**911**	**462**	1,459	811
Other assets	**2,423**	**2,336**	3,009	4,318
Ally Bank (c)	**17,972**	**4,260**	24,276	10,133
Total	**$ 68,155**	**$ 42,305**	$ 81,051	$ 48,759

(a) Includes $9.8 billion of assets and $8.3 billion of secured debt related to Ally Bank at September 30, 2010, and $1.9 billion of assets and $1.6 billion of secured debt related to Ally Bank at December 31, 2009.

(b) Includes $7.3 billion of assets and $3.2 billion of secured debt related to Ally Bank at September 30, 2010. There were no commercial automotive finance receivables and loans, net, or secured debt related to Ally Bank at December 31, 2009.

(c) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling $13.2 billion and $22.4 billion at September 30, 2010, and December 31, 2009, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net, consumer automotive finance receivables and loans, net, and investment securities. Under the agreement with the FHLB, Ally Bank also had unrestricted assets pledged as collateral under a blanket lien totaling $4.8 billion and $1.9 billion at September 30, 2010, and December 31, 2009, respectively. These assets were primarily composed of mortgage servicing rights, consumer automotive finance receivables and loans, net, and other assets. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

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Funding Facilities

The following table highlights credit capacity under our secured and unsecured funding facilities at September 30, 2010, and December 31, 2009. 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 in the outstanding column in the table below are generally included on our Condensed Consolidated Balance Sheet.

	Total capacity		Unused capacity (a)		Outstanding	
($ in billions)	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
Committed unsecured						
Automotive Finance operations	**$ 0.8**	$ 0.8	**$ 0.1**	$ 0.1	**$ 0.7**	$ 0.7
Committed secured						
Automotive Finance operations and other (b)	**29.8**	36.0	**16.5**	12.2	**13.3**	23.8
Mortgage operations	**1.7**	2.1	**0.6**	0.4	**1.1**	1.7
Total committed facilities	**32.3**	38.9	**17.2**	12.7	**15.1**	26.2
Uncommitted unsecured						
Automotive Finance operations	**1.7**	0.9	**0.5**	0.1	**1.2**	0.8
Uncommitted secured						
Automotive Finance operations						
Federal Reserve funding programs	**2.5**	5.3	**2.5**	1.9	**—**	3.4
Other facilities	**0.4**	0.4	**—**	0.1	**0.4**	0.3
Mortgage operations						
Federal Reserve funding programs	**1.1**	2.5	**1.1**	0.9	**—**	1.6
Other facilities (c)	**5.1**	6.1	**0.8**	1.0	**4.3**	5.1
Total uncommitted facilities	**10.8**	15.2	**4.9**	4.0	**5.9**	11.2
Total facilities	**43.1**	54.1	**22.1**	16.7	**21.0**	37.4
Whole-loan forward flow agreements (d)	**0.9**	9.4	**0.9**	9.4	**—**	—
Total	**$ 44.0**	$ 63.5	**$ 23.0**	$ 26.1	**$ 21.0**	$ 37.4

(a) Funding for committed secured facilities is generally available on request as excess collateral resides in certain facilities or to the extent incremental collateral is available and contributed to the facilities.
(b) At September 30, 2010, there was $22.3 billion of total capacity for North American Automotive Finance operations and $7.5 billion of total capacity for International Automotive Finance operations.
(c) Includes $5.1 billion and $5.9 billion of capacity from FHLB advances with $4.3 billion and $5.1 billion outstanding at September 30, 2010, and December 31, 2009, respectively.
(d) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

15. Regulatory Capital

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

The risk-based capital ratio is determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories perceived as representing greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, and qualifying preferred stock (including fixed-rate cumulative preferred stock issued and sold to the Treasury) less goodwill and other adjustments. 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.

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

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

A banking institution is considered “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6% unless subject to regulatory directive to maintain higher capital levels and for insured depository institutions, a leverage ratio that equals or exceeds 5%.

In conjunction with the conclusion of the Supervisory Capital Assessment Program (S-CAP), the banking regulators developed an additional measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements including qualified perpetual preferred stock, qualifying minority interest in subsidiaries, and qualifying trust preferred securities.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA) that supersedes the original agreement dated July 21, 2008. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank’s leverage ratio is at least 15%, which is consistent with capital requirements currently applicable to Ally Bank and thus does not impose any additional capital requirements. For this purpose, the leverage ratio is determined in accordance with the FDIC’s regulations related to capital maintenance. The effective date of the CLMA is August 24, 2010.

Additionally, on May 21, 2009, the Federal Reserve Board (FRB) granted Ally Bank an expanded exemption from Section 23A of the Federal Reserve Act. The exemption enables Ally Bank to make certain extensions of credit for the purchase of GM vehicles or vehicles floorplanned by Ally subject to certain limitations. The exemption requires Ally to maintain a Total risk-based capital ratio of 15% and Ally Bank to maintain a Tier 1 leverage ratio of 15%.

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord of the Basel Committee on Banking Supervision. Currently all U.S. banks are subject to the Basel I capital rules. The Basel Committee issued Basel II Capital Rules, and the U.S. regulators issued companion rules applicable to certain U.S.-domiciled institutions. Ally qualifies as a “mandatory” bank holding company that must comply with the U.S. Basel II rules. The Basel Committee on Banking Supervision issued additional guidance regarding market risk capital rules and Basel II capital rules for securitizations. U.S. banking regulators have not yet issued any companion guidance. We continue to monitor developments with respect to Basel II requirements and are working to ensure successful execution within the required time.

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On January 28, 2010, the federal banking agencies published a final rule amending the risk-based capital guidelines associated with the implementation of ASU 2009-16 and ASU 2009-17. The rule permits banking organizations to phase in the effects of the consolidation on risk-weighted assets and also makes provisions associated with the impact of allowance for loan and lease losses effects on Tier 2 capital during 2010. Ally elected to utilize this optional phase-in approach. Refer to Note 1 for additional information related to the adoption of ASU 2009-16 and ASU 2009-17.

The following table summarizes our capital ratios.

	September 30, 2010		December 31, 2009			Well-capitalized
($ in millions)	**Amount**	**Ratio**	Amount	Ratio	Required minimum	minimum
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 22,569**	**15.36%**	$ 22,398	14.15%	4.00%	6.00%
Ally Bank	**9,342**	**18.53%**	7,768	20.85%	(a)	6.00%
Total (to risk-weighted assets)						
Ally Financial Inc.	**$ 24,705**	**16.81%**	$ 24,623	15.55%	15.00% (b)	10.00%
Ally Bank	**9,974**	**19.78%**	8,237	22.10%	(a)	10.00%
Tier 1 leverage (to adjusted average assets) (c)						
Ally Financial Inc.	**$ 22,569**	**12.46%**	$ 22,398	12.70%	3.00–4.00%	(d)
Ally Bank	**9,342**	**15.87%**	7,768	15.42%	15.00% (a)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	**$ 7,848**	**5.34%**	$ 7,678	4.85%	n/a	n/a
Ally Bank	**n/a**	**n/a**	n/a	n/a	n/a	n/a

n/a = not applicable
(a) Ally Bank, in accordance with the FRB exemption from Section 23A, is required to maintain a Tier 1 leverage ratio of 15%. Ally Bank is also required to maintain well-capitalized levels for Tier 1 risk-based capital and total risk-based ratios pursuant to the CLMA.
(b) Ally, in accordance with the FRB exemption from Section 23A, is required to maintain a Total risk-based capital ratio of 15%.
(c) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies. We are in the process of modifying information systems to address the daily average requirement.
(d) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

At September 30, 2010, Ally and Ally Bank met all required minimum ratios and exceeded “well-capitalized” requirements under the federal regulatory agencies' definitions as summarized in the table above.

16. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable rate. We apply hedge accounting for certain derivative instruments used to hedge fixed-rate debt. We monitor our mix of fixed- and variable-rate debt in relationship to the rate profile of our assets. When it is cost effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations.

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

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

  We use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. While we do not utilize nonderivative instruments (e.g., U.S. Treasuries) to hedge this portfolio, we utilized them in the past and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be large.

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

  The primary derivative instrument we use to accomplish this objective for mortgage loans and IRLCs is forward sales of mortgage-backed securities, primarily the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac) to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to hedge automotive loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis. We do not apply hedge accounting to our derivative portfolio held to economically hedge the IRLCs and mortgage and automotive loans held-for-sale.

- ***Debt*** — As part of our previous on-balance sheet securitizations and/or secured aggregation facilities, certain interest rate swaps or interest rate caps were included within consolidated variable interest entities; these swaps or caps were generally required to meet certain rating agency requirements or were required by the facility lender or provider. The interest rate swaps and/or caps are generally entered into when the debt is issued; accordingly, current trading activity on this particular derivative portfolio is minimal. Additionally, effective January 1, 2010, the derivatives that were hedging off-balance sheet securitization activities are now hedging these securitizations as on-balance sheet securitization activities. We consolidated the off-balance sheet securitizations on January 1, 2010, due to accounting principle changes associated with ASU 2009-16 and ASU 2009-17. Refer to Note 1 for additional information related to the recent adoption.

  With the exception of a portion of our fixed-rate debt, we do not apply hedge accounting to our derivative portfolio held to economically hedge our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

- ***Other*** — We enter into futures, options, swaptions, and credit default swaps to economically hedge our net fixed versus variable interest rate exposure.

Foreign Currency Risk

We enter into derivative financial instrument contracts to hedge exposure to variability in cash flows related to foreign currency financial instruments. Currency swaps and forwards are used to hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed.

Similar to our interest rate hedges, the swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign currency exchange rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our other comprehensive income (loss). We enter into foreign currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. Our net investment hedges are recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that is recorded in current period earnings. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

In addition, we have a centralized lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign currency derivatives with external counterparties. Our foreign currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the hedged foreign currency transactions.

With limited exceptions, we elected not to treat any foreign currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign currency swaps are substantially offset by the foreign currency revaluation gains and losses of the underlying assets and liabilities.

Credit Risk

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

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

We placed collateral totaling $1.6 billion and $1.8 billion at September 30, 2010, and December 31, 2009, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $1.6 billion and $432 million at September 30, 2010, and December 31, 2009, respectively. The collateral placed and received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our consolidated balance sheet unless certain conditions are met.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

	September 30, 2010			December 31, 2009		
	Fair value of derivative contracts in			Fair value of derivative contracts in		
($ in millions)	**receivable position (a)**	**liability position (b)**	**Notional amount**	receivable position (a)	liability position (b)	Notional amount
Qualifying accounting hedges						
Interest rate risk						
Fair value accounting hedges	**$ 688**	**$ —**	**$ 10,863**	$ 478	$ 47	$ 16,938
Foreign exchange risk						
Net investment accounting hedges	**4**	**69**	**4,744**	10	41	2,414
Cash flow accounting hedges	**6**	**89**	**323**	—	112	334
Total foreign exchange risk	**10**	**158**	**5,067**	10	153	2,748
Total qualifying accounting hedges	**698**	**158**	**15,930**	488	200	19,686
Economic hedges						
Interest rate risk						
MSRs and retained interests	**4,604**	**3,787**	**334,652**	805	816	153,818
Mortgage loan commitments and mortgage and automotive loans held-for-sale	**225**	**151**	**54,005**	225	132	45,470
Off-balance sheet securitization activities	**—**	**—**	**—**	139	—	4,440
Debt	**202**	**174**	**25,643**	392	548	53,501
Other	**12**	**134**	**16,091**	50	24	12,629
Total interest rate risk	**5,043**	**4,246**	**430,391**	1,611	1,520	269,858
Foreign exchange risk	**198**	**252**	**12,249**	555	175	22,927
Credit risk	**1**	**1**	**55**	—	—	—
Total economic hedges	**5,242**	**4,499**	**442,695**	2,166	1,695	292,785
Total derivatives	**$ 5,940**	**$ 4,657**	**$458,625**	$ 2,654	$ 1,895	$312,471

(a) Reported as other assets on the Condensed Consolidated Balance Sheet. Includes accrued interest of $123 million and $314 million at September 30, 2010, and December 31, 2009, respectively.

(b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. Includes accrued interest of $20 million and $91 million at September 30, 2010, and December 31, 2009, respectively.

Statement of Income Presentation

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
Qualifying accounting hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest on long-term debt	**$ 230**	$ 142	**$ 627**	$ (242)
(Loss) gain recognized in earnings on hedged items				
Interest rate contracts				
Interest on long-term debt	**(215)**	(136)	**(562)**	192
Total qualifying accounting hedges	**15**	6	**65**	(50)
Economic hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	**495**	384	**1,285**	(519)
Loss on mortgage and automotive loans, net	**(169)**	(201)	**(570)**	(167)
Other gain (loss) on investments, net	**—**	2	**—**	(5)
Other income, net of losses	**(49)**	(6)	**(99)**	17
Other operating expenses	**(2)**	(25)	**(8)**	(39)
Total interest rate contracts	**275**	154	**608**	(713)
Foreign exchange contracts (a)				
Interest on long-term debt	**4**	8	**(10)**	(3)
Other income, net of losses	**(8)**	(3)	**(16)**	(198)
Total foreign exchange contracts	**(4)**	5	**(26)**	(201)
Gain (loss) recognized in earnings on derivatives	**$ 286**	$ 165	**$ 647**	$ (964)

(a) Amount represents the difference between the changes in the fair values of the currency hedge, net of the revaluation of the related foreign denominated debt or foreign denominated receivable.

17. Income Taxes

Effective June 30, 2009, we converted (the Conversion) from a limited liability company (LLC) treated as a pass-through entity for U.S. federal income tax purposes to a corporation. As a result of the Conversion, we became subject to corporate U.S. federal, state, and local taxes beginning in the third quarter of 2009. Due to this change in tax status as of June 30, 2009, an additional net deferred tax liability of $1.2 billion was established through income tax expense from continuing operations.

Prior to the Conversion, certain U.S. entities were pass-through entities for U.S. federal income tax purposes. U.S. federal, state, and local income taxes were generally not provided for these entities as they were not taxable entities except in a few local jurisdictions that tax LLCs or partnerships. LLC members were required to report their share of our taxable income on their respective income tax returns. In addition, our banking, insurance, and foreign subsidiaries generally were and continue to be corporations that are subject to U.S. and foreign income taxes and are required to provide for these taxes. The Conversion did not change the tax status of these subsidiaries.

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We recognized total income tax expense from continuing operations of $48 million and $117 million during the three months and nine months ended September 30, 2010, respectively, and income tax benefit from continuing operations of $291 million and income tax expense of $681 million during the three months and nine months ended September 30, 2009, respectively. A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations is shown in the following table.

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	**2010**	2009
Statutory U.S. federal tax rate	**35.0%**	35.0%	**35.0%**	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	**(16.2)**	(25.4)	**(25.7)**	(7.4)
Foreign capital loss	**(7.6)**	—	**3.0**	—
Prior year adjustments	**3.3**	—	**1.2**	—
Taxes on unremitted earnings of subsidiaries	**3.1**	—	**1.4**	—
State and local income taxes, net of federal income tax benefit	**(0.8)**	12.5	**0.2**	4.2
Foreign income tax rate differential	**(0.3)**	1.4	**(0.8)**	0.6
Tax-exempt income	**(0.3)**	0.1	**(0.5)**	0.2
Change in tax status	**—**	6.0	**—**	(37.3)
LLC results not subject to federal or state income taxes	**—**	—	**—**	(17.4)
Other, net	**(1.5)**	4.2	**(1.5)**	0.3
Effective tax rate	**14.7%**	33.8%	**12.3%**	(21.8)%

The valuation allowances that were previously established against our domestic net deferred tax assets and certain international net deferred tax assets increased by approximately $126 million during the three months ended September 30, 2010. The increase in the valuation allowance was due to additional realized capital losses within Mortgage operations related to the disposition of its European operations.

During the nine months ended September 30, 2010, the valuation allowance decreased $575 million primarily as a result of profitability of our operations in various tax jurisdictions in combination with an election made by the company to treat the U.S. consumer property and casualty insurance business disposition as an asset sale versus a stock sale for U.S. tax purposes. This election resulted in a smaller ordinary loss than the capital loss that was previously recorded.

The amount of unrecognized tax benefits that, if recognized, would impact our effective tax rate was approximately $137 million at September 30, 2010, compared to $157 million at December 31, 2009. We do not expect a significant change in the unrecognized tax benefits within the next 12 months.

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18. Related Party Transactions

Related party activities represent transactions with GM, FIM Holdings LLC (FIM Holdings), and affiliated companies. GM and FIM Holdings have both a direct and indirect ownership interest in Ally.

Balance Sheet

A summary of the balance sheet effect of transactions with GM, FIM Holdings, and affiliated companies follows.

($ in millions)	**September 30, 2010**	December 31, 2009
Assets		
Available-for-sale investment in asset-backed security — GM (a)	**$ 1**	$ 20
Secured		
Finance receivables and loans, net		
Wholesale automotive financing — GM (b)	**291**	280
Term loans to dealers — GM (b)	**59**	71
Lending receivables — affiliates of FIM Holdings	**53**	54
Investment in operating leases, net — GM (c)	**67**	69
Notes receivable from GM (d)	**460**	884
Other assets		
Other — GM	**29**	102
Total secured	**959**	1,460
Unsecured		
Notes receivable from GM (d)	**23**	27
Other assets		
Subvention receivables (rate and residual support) — GM	**151**	165
Lease pull-ahead receivable — GM	**2**	21
Other — GM	**19**	26
Total unsecured	**195**	239
Liabilities		
Unsecured debt		
Notes payable to GM	**$ 26**	$ 154
Accrued expenses and other liabilities		
Wholesale payable — GM	**214**	161
Other payables — GM	**62**	18

(a) In November 2006, Ally retained an investment in a note secured by operating lease assets transferred to GM. As part of the transfer, Ally provided a note to a trust, a wholly owned subsidiary of GM. The note was classified in investment securities on the Condensed Consolidated Balance Sheet.

(b) Represents wholesale financing and term loans to certain dealerships wholly owned by GM or in which GM has an interest. The loans are generally secured by the underlying vehicles or assets of the dealerships.

(c) Primarily represents buildings classified as operating lease assets that are leased to GM-affiliated entities. These leases are secured by the underlying assets.

(d) Represents wholesale financing we provide to GM for vehicles, parts, and accessories in which GM retains title while consigned to us or dealers primarily in Italy and Germany in 2010 and in the United Kingdom and Italy in 2009. The financing to GM remains outstanding until the title is transferred to Ally or the dealers. The amount of financing provided to GM under this arrangement varies based on inventory levels. These loans are secured by the underlying vehicles or other assets (except loans relating to parts and accessories in Italy).

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Statement of Income

A summary of the statement of income effect of transactions with GM, FIM Holdings, and affiliated companies follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
Net financing revenue				
GM and affiliates lease residual value support — North American operations (a)	**$ (58)**	$ 26	**$ (57)**	$ 164
GM and affiliates rate support — North American operations	**172**	194	**498**	577
Wholesale subvention and service fees from GM	**49**	45	**134**	159
Interest earned on wholesale automotive financing	**2**	2	**7**	12
Interest earned on term loans to dealers	**—**	1	**1**	2
Interest expense on loans with GM	**—**	(13)	**(4)**	(37)
Interest on notes receivable from GM and affiliates	**2**	15	**7**	49
Interest on wholesale settlements (b)	**38**	40	**128**	95
Interest income on loans with FIM Holdings affiliates, net	**1**	1	**2**	2
Consumer lease payments from GM (c)	**(1)**	1	**13**	60
Other revenue				
Insurance premiums earned from GM	**38**	52	**118**	135
Service fees on transactions with GM	**2**	1	**6**	5
Revenues from GM-leased properties, net	**2**	2	**6**	7
Other (d)	**1**	—	**1**	(4)
Servicing fees				
U.S. automotive operating leases (e)	**—**	4	**2**	22
Expense				
Off-lease vehicle selling expense reimbursement (f)	**(3)**	(6)	**(11)**	(21)
Payments to GM for services, rent, and marketing expenses (g)	**31**	37	**97**	88

(a) Represents total amount of residual support and risk sharing (incurred) earned under the residual support and risk-sharing programs.
(b) The settlement terms related to the wholesale financing of certain GM products are at shipment date. To the extent that wholesale settlements with GM are made before the expiration of transit, we receive interest from GM.
(c) 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 with the customer's remaining payment obligation waived. For certain programs, GM compensates us for the waived payments adjusted based on remarketing results associated with the underlying vehicle.
(d) Includes income or (expense) related to derivative transactions that we enter into with GM as counterparty.
(e) Represents servicing income related to automotive leases distributed as a dividend to GM on November 22, 2006.
(f) An agreement with GM provides for the reimbursement of certain selling expenses incurred by us on off-lease vehicles sold by GM at auction.
(g) We reimburse GM for certain services provided to us. This amount includes rental payments for our primary executive and administrative offices located in the Renaissance Center in Detroit, Michigan, and exclusivity and royalty fees.

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Statement of Changes in Equity

A summary of the changes to the statement of changes in equity related to transactions with GM, FIM Holdings, and affiliated companies follows.

($ in millions)	**Nine months ended September 30, 2010**	Year ended December 31, 2009
Equity		
Capital contributions received (a)	**$ —**	$ 1,280
Dividends to shareholders/members (b)	**8**	393
Preferred stock dividends — GM	**77**	128
Other (c)	**(74)**	—

(a) On January 16, 2009, we completed a $1.25 billion rights offering pursuant to which we issued additional common membership interests to FIM Holdings and a subsidiary of GM.

(b) Pursuant to an operating agreement, certain of our shareholders were permitted distributions to pay the taxes they incurred from ownership of their Ally interests prior to our conversion from a tax partnership to a corporation. In March 2009, we executed a transaction that had 2008 tax-reporting implications for our shareholders. In accordance with the operating agreement, the approvals of both our Ally Board of Directors and the Treasury were obtained in advance for the payment of tax distributions to our shareholders. In 2010, the amount distributed to GM was $8 million. This represented an accrual for GM tax settlements and refunds received related to tax periods prior to the November 30, 2006, sale by GM of a 51% interest in Ally (Sale Transactions). Amounts distributed to GM and FIM Holdings were $220 million and $173 million, respectively, for the year ended December 31, 2009. The 2009 amount includes $55 million of remittances to GM for tax settlements and refunds received related to tax periods prior to the Sale Transactions as required by the terms of the Purchase and Sale Agreement between GM and FIM Holdings.

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

GM, GM dealers, and GM-related employees compose a significant portion of our customer base, and our Global Automotive Services operations are highly dependent on GM production and sales volume. As a result, a significant adverse change in GM's business, including significant adverse changes in GM's liquidity position and access to the capital markets, the production or sale of GM vehicles, the quality or resale value of GM vehicles, the use of GM marketing incentives, GM's relationships with its key suppliers, GM's relationship with the United Auto Workers and other labor unions, and other factors impacting GM or its employees could have a significant adverse effect on our profitability and financial condition.

We provide vehicle financing through purchases of retail automotive and lease contracts with retail customers of primarily GM dealers. We also finance the purchase of new and used vehicles by GM dealers through wholesale financing, extend other financing to GM dealers, provide fleet financing for GM dealers to buy vehicles they rent or lease to others, provide wholesale vehicle inventory insurance to GM dealers, provide automotive extended service contracts through GM dealers, and offer other services to GM dealers. As a result, GM's level of automobile production and sales directly impacts our financing and leasing volume; the premium revenue for wholesale vehicle inventory insurance; the volume of automotive extended service contracts; and the profitability and financial condition of the GM dealers to whom we provide wholesale financing, term loans, and fleet financing. In addition, the quality of GM vehicles affects our obligations under automotive extended service contracts relating to such vehicles. Further, the resale value of GM vehicles, which may be impacted by various factors relating to GM's business such as brand image, the number of new GM vehicles produced, the number of used vehicles remarketed, or reduction in core brands, affects the remarketing proceeds we receive upon the sale of repossessed vehicles and off-lease vehicles at lease termination.

At September 30, 2010, we had an estimated $959 million in secured credit exposure, which included primarily wholesale vehicle financing to GM-owned dealerships, notes receivable from GM, and vehicles leased directly to GM. We further had approximately $809 million in unsecured credit exposure, which included estimates of payments from GM related to residual support and risk-sharing agreements. Under the terms of certain agreements between Ally and GM, Ally has the right to offset certain of its exposures to GM against amounts Ally owes to GM.

Retail and Lease Programs

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

GM may also sponsor residual support programs as a way to lower customer monthly payments. Under residual support programs, the customer's contractual residual value is adjusted above our standard residual values. In addition, under risk-sharing programs and eligible contracts, GM shares equally in residual losses at the time of the vehicle's disposal to the extent that remarketing proceeds are below our standard residual values (limited to a floor).

For contracts where we are entitled to receive residual support, GM pays the present value of the expected residual support owed to us at contract origination as opposed to after contract termination at the time of sale of the related vehicle. The residual support amount GM ultimately owes us is finalized as the leases actually terminate. Under the terms of the residual support program, in cases where the estimate was incorrect, GM may be obligated to pay us, or we may be obligated to reimburse GM.

Based on the September 30, 2010, outstanding North American operating lease and retail balloon portfolios, the additional maximum contractual amount that could be paid by GM under the residual support programs was approximately $627 million and would be paid only in the unlikely event that the proceeds from the entire portfolio of lease assets were lower than the contractual residual value and no higher than our standard residual rates.

Based on the September 30, 2010, outstanding North American operating lease portfolio, the maximum contractual amount that could be paid under the risk-sharing arrangements was approximately $844 million and would be paid only in the unlikely event that the proceeds from all outstanding lease vehicles were lower than our standard residual rates and no higher than the contractual risk-sharing floor.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new GM retail and lease contracts acquired, were as follows.

Nine months ended September 30,	**2010**	2009
GM and affiliates subvented contracts acquired		
North American operations	**53%**	68%
International operations (a)	**41%**	60%

(a) Represents subvention for continuing operations only.

Other

We entered into various services agreements with GM that are designed to document and maintain our current and historical relationship. We are required to pay GM fees in connection with certain of these agreements related to our financing of GM consumers and dealers in certain parts of the world.

GM also provides payment guarantees on certain commercial assets we have outstanding with certain third-party customers. At September 30, 2010, and December 31, 2009, commercial obligations guaranteed by GM were $59 million and $68 million, respectively. Additionally, GM is bound by repurchase obligations to repurchase new vehicle inventory under certain circumstances, such as dealer franchise termination.

19. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

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A three-level hierarchy is to be used when measuring and disclosing fair value. An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

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

- ***Trading securities*** — Trading securities are recorded at fair value. Our portfolio includes U.S. Treasury, asset-backed, and mortgage-backed securities (including senior and subordinated interests) and may be investment grade, noninvestment grade, or unrated securities. We base our valuation of trading securities on observable market prices when available; however, observable market prices may not be available for a significant portion of these assets due to current illiquidity in the markets. When observable market prices are not available, valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). We classified 64% and 94% of the trading securities reported at fair value as Level 3 at September 30, 2010, and December 31, 2009, respectively. Trading securities account for 1% and 2% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

- ***Available-for-sale securities*** — Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses). We classified less than 1% of the available-for-sale securities reported at fair value as Level 3 at both September 30, 2010, and December 31, 2009. Available-for-sale securities account for 35% and 37% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

- ***Loans held-for-sale, net*** — We elected the fair value option for certain mortgage loans held-for-sale. The loans elected were government- and agency-eligible residential loans funded after July 31, 2009. These loans are presented in the table of recurring fair value measurements. Refer to the section in this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information. The loans not elected under the fair value option are accounted for at the lower of cost or fair value. We classified 15% and 49% of the loans held-for-sale reported at fair value as Level 3 at September 30, 2010, and December 31, 2009, respectively. Loans held-for-sale account for 24% and 32% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

Approximately 3% and 4% of the total loans held-for-sale carried at fair value are automotive loans at September 30, 2010, and December 31, 2009, respectively. These automotive loans are presented in the nonrecurring fair value measurement table. We based our valuation of automotive loans held-for-sale on internally developed discounted cash flow models (an income approach) and classified all these loans as Level 3. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loans may be the whole-loan market or the securitization market. Although we utilize and give priority to market observable inputs, such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, these internal inputs require the use of judgment and can have a significant impact on the determination of the loan's value. Accordingly, we classified all automotive loans held-for-sale as Level 3.

Approximately 97% and 96% of the total loans held-for-sale carried at fair value are mortgage loans at September 30, 2010, and December 31, 2009, respectively. We originate or purchase mortgage loans in the United States that we intend to sell to Fannie Mae, Freddie Mac, and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government Sponsored Enterprises (GSEs)). Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as agency eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans — This includes all mortgage loans carried at fair value due to fair value option elections. The election includes all domestic loans that can be sold to the Agencies, which are valued predominantly using published forward agency prices. Level 2 also includes all nonagency domestic loans or international loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. As these valuations are derived from quoted market prices, we classify these valuations as Level 2 in the fair value disclosures. At September 30, 2010, and December 31, 2009, 87% and 52%, respectively, of the mortgage loans held-for-sale currently being carried at fair value were classified as Level 2.

Level 3 mortgage loans — This includes all mortgage loans measured at fair value on a nonrecurring basis. The fair value of these loans was determined using internally developed valuation models because observable market prices were not available. These valuation models estimate the exit price we expect to receive in the loan's principal market, which depending on characteristics of the loan may be the whole-loan or securitization market. Although we utilize and give priority to market observable inputs such as interest rates and market spreads within these models, we are typically required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates. While numerous controls exist to calibrate, corroborate, and validate these internal inputs, the generation of these internal inputs requires the use of judgment and can have a significant impact on the determination of the loan's fair value. Accordingly, we classify these valuations as Level 3 in the fair value disclosures. At September 30, 2010, and December 31, 2009, 13% and 48%, respectively, of the mortgage loans held-for-sale currently being carried at fair value are classified as Level 3.

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

Securitized mortgage loans are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach or an in-use premise. Values of loans held on an in-use basis may differ considerably from loans held-for-sale that can be sold in the whole-loan market. This difference arises primarily due to the liquidity of the asset- and mortgage-backed securitization market and is evident in the fact that spreads applied to lower rated asset- and mortgage-backed securities are considerably wider than spreads observed on senior bonds classes and in the whole-loan market. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3, at September 30, 2010, and December 31, 2009. Consumer finance receivables and loans accounted for 9% and 4% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

- ***Commercial finance receivables and loans, net —*** We evaluate our commercial finance receivables and loans, net, for impairment . We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement. At both September 30, 2010 and December 31, 2009, 6% and 94% of the impaired commercial finance receivables and loans were classified as Level 2 and Level 3, respectively. Commercial finance receivables and loans accounted for 2% and 4% of all assets reported at fair value at September 30, 2010, and December 31, 2009.

- ***MSRs*** — We typically retain MSRs when we sell assets into the secondary market. MSRs currently do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value of MSRs. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. All MSRs were classified as Level 3 at September 30, 2010, and December 31, 2009. MSRs accounted for 8% and 10% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

- ***Interests retained in financial asset sales —*** Interests retained in financial asset sales are carried at fair value. The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses). All interests retained were classified as Level 3 at September 30, 2010, and December 31, 2009. Interests retained in financial assets sales accounted for 2% and less than 1% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively.

- ***Derivative instruments*** — We manage risk through our balance of loan production and servicing businesses while using financial instruments (including derivatives) to manage risk related specifically to the value of loans held-for-sale, loans held-for-investment, MSRs, foreign currency debt; and we enter into interest rate swaps to facilitate transactions where the underlying receivables are sold to a nonconsolidated entity. Refer to Note 16 for additional information regarding the gains and losses recognized on the fair value of economic hedges within the Condensed Consolidated Statement of Income.

We enter into a variety of derivative financial instruments as part of our hedging strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, or traded within highly active dealer markets, such as agency to-be-announced securities. To determine the fair value of these instruments, we utilize the exchange price or dealer market price for the particular derivative contract; therefore, we classified these contracts as Level 1. We classified less than 1% of the derivative assets and 3% of the derivative liabilities reported at fair value as Level 1 at September 30, 2010. We classified 7% of the derivative assets and 9% of the derivative liabilities reported at fair value as Level 1 at December 31, 2009.

We also execute over-the-counter derivative contracts, such as interest rate swaps, floors, caps, corridors, and swaptions. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable. We classified 96% of the derivative assets and 94% of the derivative liabilities reported at fair value as Level 2 at September 30, 2010. We classified 77% of the derivative assets and 73% of the derivative liabilities reported at fair value as Level 2 at December 31, 2009.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. We classified 4% of the derivative assets and 3% of the derivative liabilities reported at fair value as Level 3 at September 30, 2010. We classified 16% of the derivative assets and 18% of the derivative liabilities reported at fair value as Level 3 at December 31, 2009.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty. Additionally, we reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis.

Derivative assets accounted for 17% and 8% of all assets reported at fair value at September 30, 2010, and December 31, 2009, respectively. Derivative liabilities accounted for 63% and 59% of all liabilities reported at fair value at September 30, 2010, and December 31, 2009, respectively.

- ***Collateral placed with counterparties —*** Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets. We classified 100% and 96% of securities posted as collateral as Level 1 at September 30, 2010, and December 31, 2009, respectively. Securities posted as collateral accounted for 2% of all assets reported at fair value at both September 30, 2010, and December 31, 2009.

- ***Repossessed and foreclosed assets*** — Foreclosed on or repossessed assets resulting from loan defaults are carried at the lower of either cost or fair value and are included in other assets on the Condensed Consolidated Balance Sheet. The fair value disclosures include only assets carried at fair value.

The majority of assets acquired due to default are foreclosed assets. We revalue foreclosed assets on a periodic basis. We classified properties that are valued by independent third-party appraisals as Level 2. When third-party appraisals are not obtained, valuations are typically obtained from third-party broker price opinion; however, depending on the circumstances, the property list price or other sales price information may be used in lieu of a broker price opinion. Based on historical experience, we adjust these values downward to take into account damage and other factors that typically cause the actual liquidation value of foreclosed properties to be less than broker price opinion or other price sources. This valuation adjustment is necessary to ensure the valuation ascribed to these assets considers unique factors and circumstances surrounding the foreclosed asset. As a result of applying internally developed adjustments to the third-party-provided valuation of the foreclosed property, we classified these assets as Level 3 in the fair value disclosures. At September 30, 2010, we classified 36% and 64% of foreclosed and repossessed properties carried at fair value as Level 2 and Level 3, respectively. At December 31, 2009, we classified 51% and 49% of foreclosed and repossessed properties carried at fair value as

Level 2 and Level 3, respectively. Repossessed and foreclosed assets account for less than 1% of all assets reported at fair value at both September 30, 2010, and December 31, 2009.

- ***On-balance sheet securitization debt*** **—** We elected the fair value option for certain mortgage loans held-for-investment and the related on-balance sheet securitization debt. We value securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt is principally in the form of asset- and mortgage-backed securities collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments are typically not available. In these situations, we consider observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilize other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds, credit losses, and discount rates. Fair value option elected financing securitization debt is classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. On-balance sheet securitization debt accounted for 37% and 41% of all liabilities reported at fair value at September 30, 2010, and December 31, 2009, respectively. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

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Recurring Fair Value

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

	Recurring fair value measurements			
September 30, 2010 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading securities				
U.S. Treasury and federal agencies	$ 75	$ —	$ —	$ 75
Mortgage-backed				
Residential	—	1	45	46
Asset-backed	—	—	90	90
Total trading securities	75	1	135	211
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	2,359	310	—	2,669
States and political subdivisions	—	4	—	4
Foreign government	928	371	—	1,299
Mortgage-backed				
Residential	—	3,729	2	3,731
Asset-backed	—	1,695	1	1,696
Corporate debt securities	—	1,396	—	1,396
Total debt securities	3,287	7,505	3	10,795
Equity securities	1,130	—	—	1,130
Total available-for-sale securities	4,417	7,505	3	11,925
Mortgage loans held-for-sale, net (a)	—	6,978	—	6,978
Consumer mortgage finance receivables and loans, net (a)	—	—	2,948	2,948
Mortgage servicing rights	—	—	2,746	2,746
Other assets				
Interests retained in financial asset sales	—	—	533	533
Fair value of derivative contracts in receivable position				
Interest rate contracts	24	5,454	252	5,730
Foreign currency contracts	—	210	—	210
Total fair value of derivative contracts in receivable position	24	5,664	252	5,940
Collateral placed with counterparties (b)	740	—	—	740
Total assets	$ 5,256	$ 20,148	$ 6,617	$ 32,021
Liabilities				
Secured debt				
On-balance sheet securitization debt (a)	$ —	$ —	$ (2,793)	$ (2,793)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	(158)	(3,958)	(130)	(4,246)
Foreign currency contracts	—	(411)	—	(411)
Total fair value of derivative contracts in liability position	(158)	(4,369)	(130)	(4,657)
Total liabilities	$ (158)	$ (4,369)	$ (2,923)	$ (7,450)

(a) Carried at fair value due to fair value option elections.
(b) Represents collateral in the form of investment securities. Cash collateral was excluded above.

ALLY FINANCIAL INC.

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	Recurring fair value measurements			
December 31, 2009 *($ in millions)*	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
Mortgage-backed				
Residential	$ —	$ 44	$ 99	$ 143
Asset-backed	—	—	596	596
Total trading securities	—	44	695	739
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,989	1,521	—	3,510
States and political subdivisions	—	811	—	811
Foreign government	911	262	—	1,173
Mortgage-backed				
Residential	—	3,455	6	3,461
Asset-backed	—	985	20	1,005
Corporate debt securities	2	1,471	—	1,473
Other	47	—	—	47
Total debt securities	2,949	8,505	26	11,480
Equity securities	671	4	—	675
Total available-for-sale securities	3,620	8,509	26	12,155
Mortgage loans held-for-sale, net (a)	—	5,545	—	5,545
Consumer mortgage finance receivables and loans, net (a)	—	—	1,303	1,303
Mortgage servicing rights	—	—	3,554	3,554
Other assets				
Cash reserve deposits held-for-securitization trusts	—	—	31	31
Interests retained in financial asset sales	—	—	471	471
Fair value of derivative contracts in receivable position	184	2,035	435	2,654
Collateral placed with counterparties (b)	808	37	—	845
Total assets	$ 4,612	$16,170	$ 6,515	$27,297
Liabilities				
Secured debt				
On-balance sheet securitization debt (a)	$ —	$ —	$(1,294)	$ (1,294)
Accrued expenses and other liabilities				
Fair value of derivative contracts in liability position	(172)	(1,391)	(332)	(1,895)
Total liabilities	$ (172)	$ (1,391)	$(1,626)	$ (3,189)

(a) Carried at fair value due to fair value option elections.
(b) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers into or out of any hierarchy levels, if any (including any transfers shown in the following tables), are recognized at the end of the reporting period in which the transfer occurred. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

	Level 3 recurring fair value measurements					
		Net realized/unrealized gains (losses)				
($ in millions)	Fair value at July 1, 2010	included in earnings	included in other comprehensive income	Purchases, issuances, and settlements, net	Fair value at September 30, 2010	Net unrealized gains (losses) included in earnings still held at September 30, 2010
Assets						
Trading securities						
Mortgage-backed						
Residential	$ 46	$ 3 (a)	$ —	$ (4)	$ 45	$ 7 (a)
Asset-backed	87	—	1	2	90	—
Total trading securities	133	3	1	(2)	135	7
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed						
Residential	2	—	—	—	2	—
Asset-backed	8	—	—	(7)	1	—
Total debt securities	10	—	—	(7)	3	—
Consumer mortgage finance receivables and loans, net (b)	2,345	1,126 (b)	—	(523)	2,948	937 (b)
Mortgage servicing rights	2,983	(521) (c)	—	284	2,746	(521) (c)
Other assets						
Cash reserve deposits held-for-securitization trusts	2	—	—	(2)	—	—
Interests retained in financial asset sales	465	33 (d)	—	35	533	9 (d)
Fair value of derivative contracts in receivable (liability) position, net						
Interest rate contracts, net	105	212 (e)	—	(195)	122	247 (e)
Total assets	$ 6,043	$ 853	$ 1	$ (410)	$ 6,487	$ 679
Liabilities						
Secured debt						
On-balance sheet securitization debt (b)	$ (2,178)	$ (1,118) (b)	$ —	$ 503	$ (2,793)	$ (1,035) (b)
Total liabilities	$ (2,178)	$ (1,118)	$ —	$ 503	$ (2,793)	$ (1,035)

(a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.

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

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

(e) Refer to Note 16 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements						
		Net realized/unrealized gains (losses)					
($ in millions)	Fair value at July 1, 2009	included in earnings	included in other comprehensive income	Purchases, issuances, and settlements, net	Net transfers into Level 3	Fair value at September 30, 2009	Net unrealized gains (losses) included in earnings still held at September 30, 2009
Assets							
Trading securities							
Mortgage-backed							
Residential	$ 163	$ —	$ —	$ (18)	$ —	$ 145	$ 18 (a)
Asset-backed	571	126 (a)	5	—	—	702	(83) (a)
Total trading securities	734	126	5	(18)	—	847	(65)
Investment securities							
Available-for-sale securities							
Debt securities							
Mortgage-backed							
Residential							
Asset-backed	4	—	1	—	1	6	—
Equity securities	413	4 (a)	2	(384)	—	35	—
Total available-for-sale securities	417	4	3	(384)	1	41	—
Consumer mortgage finance receivables and loans, net (b)	1,588	339 (b)	—	(384)	—	1,543	240 (b)
Mortgage servicing rights	3,509	(494) (c)	—	228	—	3,243	(494) (c)
Other assets							
Cash reserve deposits held-for-securitization trusts	33	6 (d)	—	—	—	39	(97) (d)
Interests retained in financial asset sales	662	21 (d)	(1)	(73)	—	609	(15) (d)
Fair value of derivative contracts in receivable (liability) position, net	225	(3)(e)	—	29	—	251	109 (e)
Total assets	$ 7,168	$ (1)	$ 7	$ (602)	$ 1	$ 6,573	$ (322)
Liabilities							
Secured debt							
On-balance sheet securitization debt (b)	$ (1,574)	$ (330) (b)	$ —	$ 375	$ —	$ (1,529)	$ (207) (b)
Total liabilities	$ (1,574)	$ (330)	$ —	$ 375	$ —	$ (1,529)	$ (207)

(a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections. Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.

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

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

(e) Refer to Note 16 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

($ in millions)	Level 3 recurring fair value measurements: Fair value at January 1, 2010	Net realized/unrealized gains (losses): included in earnings	Net realized/unrealized gains (losses): included in other comprehensive income	Purchases, issuances, and settlements, net	Fair value at September 30, 2010	Net unrealized gains (losses) included in earnings still held at September 30, 2010
Assets						
Trading securities						
Mortgage-backed						
Residential	$ 99	$ 3 (a)	$ —	$ (57)	$ 45	$ 18 (a)
Asset-backed	596	—	1	(507)	90	—
Total trading securities	695	3	1	(564)	135	18
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed						
Residential	6	—	(1)	(3)	2	—
Asset-backed	20	—	—	(19)	1	—
Total debt securities	26	—	(1)	(22)	3	—
Consumer mortgage finance receivables and loans, net (b)	1,303	1,914 (b)	—	(269)	2,948	1,305 (b)
Mortgage servicing rights	3,554	(1,465) (c)	—	657	2,746	(1,465) (c)
Other assets						
Cash reserve deposits held-for-securitization trusts	31	—	—	(31)	—	—
Interests retained in financial asset sales	471	66 (d)	—	(4)	533	15 (d)
Fair value of derivative contracts in receivable (liability) position, net						
Interest rate contracts, net	103	203 (e)	—	(184)	122	386 (e)
Total assets	$ 6,183	$ 721	$ —	$ (417)	$ 6,487	$ 259
Liabilities						
Secured debt						
On-balance sheet securitization debt (b)	$ (1,294)	$ (1,892) (b)	$ —	$ 393	$ (2,793)	$ (1,477) (b)
Total liabilities	$ (1,294)	$ (1,892)	$ —	$ 393	$ (2,793)	$ (1,477)

(a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.

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

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

(e) Refer to Note 16 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

($ in millions)	Level 3 recurring fair value measurements: Fair value at January 1, 2009	Net realized/unrealized (losses) gains: included in earnings	Net realized/unrealized (losses) gains: included in other comprehensive income	Purchases, issuances, and settlements, net	Net transfers into/(out of) Level 3	Fair value at September 30, 2009	Net unrealized (losses) gains included in earnings still held at September 30, 2009
Assets							
Trading securities							
Mortgage-backed							
Residential	$ 211	$ (41) (a)	$ —	$ (44)	$ 19	$ 145	$ (19) (a)
Asset-backed	509	184 (a)	10	(1)	—	702	(569) (a)
Total trading securities	720	143	10	(45)	19	847	(588)
Investment securities							
Available-for-sale securities							
Debt securities							
Mortgage-backed							
Residential	2	—	(4)	—	8	6	—
Asset-backed	607	6 (a)	5	(583)	—	35	(8) (a)
Equity securities	22	—	1	—	(23)	—	—
Total available-for-sale securities	631	6	2	(583)	(15)	41	(8)
Consumer mortgage finance receivables and loans, net (b)	1,861	848 (b)	—	(1,166)	—	1,543	488 (b)
Mortgage servicing rights	2,848	(172) (c)	—	567	—	3,243	(159) (c)
Other assets							
Cash reserve deposits held-for-securitization trusts	41	2 (d)	(1)	(3)	—	39	(318) (d)
Interests retained in financial asset sales	1,001	(44) (d)	3	(351)	—	609	(11) (d)
Fair value of derivative contracts in receivable (liability) position, net	149	399 (e)	(5)	(437)	145	251	985 (e)
Total assets	$ 7,251	$ 1,182	$ 9	$ (2,018)	$ 149	$ 6,573	$ 389
Liabilities							
Secured debt							
On-balance sheet securitization debt (b)	$ (1,899)	$ (774) (b)	$ —	$ 1,144	$ —	$ (1,529)	$ (431) (b)
Total liabilities	$ (1,899)	$ (774)	$ —	$ 1,144	$ —	$ (1,529)	$ (431)

(a) The fair value adjustment was reported as other gain on investments, net, and the related interest was reported as interest and dividends on investment securities in the Condensed Consolidated Statement of Income.

(b) Carried at fair value due to fair value option elections. Refer to next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.

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

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

(e) Refer to Note 16 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

Nonrecurring Fair Value

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

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis and held at September 30, 2010 and 2009.

September 30, 2010 *($ in millions)*	**Nonrecurring fair value measures** Level 1	Level 2	Level 3	Total	**Lower of cost or fair value or valuation reserve allowance**	**Total gains (losses) included in earnings for the three months ended**	**Total gains included in earnings for the nine months ended**
Assets							
Loans held-for-sale, net (a)							
Automotive	$ —	$ —	$ 234	$ 234	$ (85)	n/m (b)	n/m (b)
Mortgage	—	—	1,041	1,041	(47)	n/m (b)	n/m (b)
Total loans held-for-sale, net	—	—	1,275	1,275	(132)	n/m (b)	n/m (b)
Commercial finance receivables and loans, net (c)							
Automotive	—	—	391	391	(56)	n/m (b)	n/m (b)
Mortgage	—	34	57	91	(47)	n/m (b)	n/m (b)
Other	—	—	77	77	(70)	n/m (b)	n/m (b)
Total commercial finance receivables and loans, net	—	34	525	559	(173)		
Other assets							
Real estate and other investments (d)	—	9	—	9	n/m (e)	$ —	$ 2
Repossessed and foreclosed assets (f)	—	42	76	118	(17)	n/m (b)	n/m (b)
Total assets	$ —	$ 85	$ 1,876	$1,961	$ (322)	$ —	$ 2

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower of cost or fair value . The table above includes only loans with fair values below cost during 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

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

(c) Represents the portion of the portfolio specifically impaired during 2010 . The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(d) Represents model homes impaired during 2010 . The total loss included in earnings represents adjustments to the fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated value less costs to sell if the model home is marketed for sale.

(e) The total gain included in earnings is the most relevant indicator of the impact on earnings.

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

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September 30, 2009 (*$ in millions*)	Nonrecurring fair value measures Level 1	Level 2	Level 3	Total	Lower of cost or fair value or valuation reserve allowance	Total losses included in earnings for the three months ended	Total (losses) gains included in earnings for the nine months ended
Assets							
Loans held-for-sale, net (a)	$ —	$ 7	$ 636	$ 643	$ (379)	n/m (b)	n/m (b)
Commercial finance receivables and loans, net (c)	—	161	2,336	2,497	(1,014)	$ — (d)	$ (87) (d)
Other assets							
Real estate and other investments (e)	—	85	—	85	n/m (f)	(1)	5
Repossessed and foreclosed assets (g)	—	173	107	280	(97)	n/m (b)	n/m (b)
Goodwill (h)	—	—	—	—	n/m (f)	—	(607)
Total assets	$ —	$ 426	$ 3,079	$3,505	$ (1,490)	$ (1)	$ (689)

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only loans with fair values below cost during 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

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

(c) Represents the portion of the portfolio specifically impaired during 2009. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(d) Represents losses recognized on the impairment of our resort finance portfolio, which provided debt capital to resort and timeshare developers. Refer to footnote (b) for information related to the other commercial finance receivables and loans, net, for which impairment was recognized .

(e) Represents model homes impaired during 2009. The total loss included in earnings represents adjustments to the fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated fair value less costs to sell if the model home is marketed for sale.

(f) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.

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

(h) Represents goodwill impaired during 2009. The impairment related to a reporting unit within our Insurance operations.

Fair Value Option for Financial Assets and Financial Liabilities

On January 1, 2008, we elected to measure at fair value certain domestic consumer mortgage finance receivables and loans and the related debt held in on-balance sheet mortgage securitization structures. During the three months ended September 30, 2009, we also elected the fair value option for government- and agency-eligible mortgage loans held-for-sale funded after July 31, 2009. As of January 1, 2010, we elected the fair value option for all on-balance sheet mortgage securitization structures that were required to be consolidated due to the adoption of ASU 2009-17. Refer to Note 1 for additional information related to the adoption. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

A description of the financial assets and liabilities elected to be measured at fair value is as follows.

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

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

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- ***Government- and agency-eligible loans*** — During the three months ended September 31, 2009, we elected the fair value option for government- and agency-eligible mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

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

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

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

Three months ended September 30, *($ in millions)*	Changes included in the Condensed Consolidated Statement of Income: Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
2010							
Assets							
Mortgage loans held-for-sale, net	**$ —**	**$ 61 (b)**	**$ —**	**$ 368**	**$ —**	**$ 429**	**$ — (c)**
Consumer mortgage finance receivables and loans, net	**141 (b)**	**—**	**—**	**—**	**985**	**1,126**	**33 (d)**
Liabilities							
Secured debt							
On-balance sheet securitization debt	**$ —**	**$ —**	**$ (81) (e)**	**$ —**	**$ (1,037)**	**$ (1,118)**	**$ (58) (f)**
Total						**$ 437**	
2009							
Assets							
Mortgage loans held-for-sale, net	$ —	$ 26 (b)	$ —	$ 181	$ —	$ 207	$ — (c)
Consumer mortgage finance receivables and loans, net	119 (b)	—	—	—	220	339	129 (d)
Liabilities							
Secured debt							
On-balance sheet securitization debt	$ —	$ —	$ (55) (e)	$ —	$ (275)	$ (330)	$ (299) (f)
Total						$ 216	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.
(c) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(d) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(e) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.
(f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

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Nine months ended September 30, *($ in millions)*	Consumer financing revenue	Loans held-for-sale revenue	Total interest expense	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
	Changes included in the Condensed Consolidated Statement of Income						
2010							
Assets							
Mortgage loans held-for-sale, net	**$ —**	**$ 153 (b)**	**$ —**	**$ 777**	**$ —**	**$ 930**	**$ — (c)**
Consumer mortgage finance receivables and loans, net	**469 (b)**	**—**	**—**	**—**	**1,444**	**1,913**	**(36) (d)**
Liabilities							
Secured debt							
On-balance sheet securitization debt	**$ —**	**$ —**	**$ (266) (e)**	**$ —**	**$ (1,625)**	**$ (1,891)**	**$ 13 (f)**
Total						**$ 952**	
2009							
Assets							
Mortgage loans held-for-sale, net	$ —	$ 26 (b)	$ —	$ 181	$ —	$ 207	$ — (c)
Consumer mortgage finance receivables and loans, net	395 (b)	—	—	—	453	848	86 (d)
Liabilities							
Secured debt							
On-balance sheet securitization debt	$ —	$ —	$ (174) (e)	$ —	$ (600)	$ (774)	$ (215) (f)
Total						$ 281	

(a) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(b) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.
(c) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
(d) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
(e) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.
(f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

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

	September 30, 2010		December 31, 2009	
($ in millions)	**Unpaid principal balance**	**Fair value (a)**	Unpaid principal balance	Fair value
Assets				
Mortgage loans held-for-sale, net				
Total loans	**$ 6,682**	**$ 6,978**	$ 5,427	$ 5,546
Nonaccrual loans	**—**	**—**	3	3
Loans 90+ days past due (b)	**—**	**—**	—	—
Consumer mortgage finance receivables and loans, net				
Total loans	**8,634**	**2,948**	7,180	1,303
Nonaccrual loans	**2,222**	**(c)**	2,343	(c)
Loans 90+ days past due (b)	**1,364**	**(c)**	1,434	(c)
Liabilities				
Secured debt				
On-balance sheet securitization debt	**$ (8,659)**	**$ (2,793)**	$ (7,166)	$ (1,293)

(a) Excludes accrued interest receivable.

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

(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis, which does not allow us to reliably estimate the fair value of loans 90+ days past due or nonaccrual loans. As a result, the fair value of these loans is not included in the table above. Unpaid principal balances were provided to allow assessment of the materiality of loans 90+ days past due and nonaccrual loans relative to total loans. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net.*

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Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of assets and liabilities that are considered financial instruments. Accordingly, items that do not meet the definition of a financial instrument are excluded from the table. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at September 30, 2010, and December 31, 2009.

	September 30, 2010		December 31, 2009	
($ in millions)	**Carrying value**	**Fair value**	Carrying value	Fair value
Financial assets				
Trading securities	**$ 211**	**$ 211**	$ 739	$ 739
Investment securities	**11,925**	**11,925**	12,158	12,158
Loans held-for-sale, net (a)	**13,265**	**12,258**	20,625	19,855
Finance receivables and loans, net	**96,664**	**96,725**	75,256	72,213
Interests retained in financial asset sales	**533**	**533**	471	471
Fair value of derivative contracts in receivable position	**5,940**	**5,940**	2,654	2,654
Collateral placed with counterparties (b)	**740**	**740**	845	845
Financial liabilities				
Debt (c)	**$ 94,014**	**$ 95,922**	$ 98,819	$ 95,588
Deposit liabilities (d)	**36,260**	**36,765**	30,549	30,795
Fair value of derivative contracts in liability position	**4,657**	**4,657**	1,895	1,895

(a) The balance includes options to repurchase delinquent assets from certain off-balance securitizations and agency whole-loan sales. We are not exposed to the losses on these delinquent loans, unless we exercise the repurchase option. Until we exercise the option, the carrying value of these loans equals the unpaid principal balance and the fair value is based on internal valuation models. As a result, the carrying value (or unpaid principal balance) is greater than the fair value due to the underlying characteristics of the loans.
(b) Represents collateral in the form of investment securities. Cash collateral was excluded above.
(c) Debt includes deferred interest for zero-coupon bonds of $553 million and $506 million at September 30, 2010, and December 31, 2009, respectively.
(d) The carrying value and fair value amounts exclude dealer deposits.

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

- ***Trading securities*** — Refer to the previous section of this note titled *Trading securities* for a description of the methodologies and assumptions used to determine fair value.

- ***Investment securities*** — Bonds, equity securities, notes, and other available-for-sale investment securities are carried at fair value. Refer to the previous section of this note titled *Available-for-sale securities* for a description of the methodologies and assumptions used to determine fair value. The fair value of the held-to-maturity investment securities is based on valuation models using market-based assumption.

- ***Loans held-for-sale, net*** — Refer to the previous sections of this note also titled *Loans held-for-sale, net* , for a description of methodologies and assumptions used to determine fair value.

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

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

- ***Derivative assets and liabilities*** — Refer to the previous section of this note titled *Derivative instruments* for a description of the methodologies and assumptions used to determine fair value.
- ***Collateral placed with counterparties*** — Collateral placed with counterparties in the table above represents only collateral in the form of investment securities. Refer to the previous section of this note also titled *Collateral placed with counterparties* for additional information.
- ***Interests retained in financial asset sales*** — Interest retained in financial asset sales are carried at fair value. Refer to the previous sections of this note titled *Interests retained in financial asset sales* for a description of the methodologies and assumptions used to determine fair value.
- ***Debt*** — The fair value of debt was determined using quoted market prices for the same or similar issues, if available, or was based on the current rates offered to us for debt with similar remaining maturities.
- ***Deposit liabilities*** — Deposit liabilities represent certain consumer bank deposits as well as mortgage escrow deposits. The fair value of deposits with no stated maturity is equal to their carrying amount. The fair value of fixed-maturity deposits was estimated by discounting cash flows using currently offered rates for deposits of similar maturities.

20. Variable Interest Entities

We account for VIEs under the requirements of ASC 810, *Consolidation* . ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* , which amended ASC 810, became effective on January 1, 2010, and upon adoption, we consolidated certain entities, including securitization trusts that were previously held off-balance sheet. On January 1, 2010, we recognized a day-one net increase of $17.6 billion to assets and liabilities on our consolidated balance sheet ($10.1 billion of the increase relates to operations classified as held-for-sale). Refer to Note 1 for additional information related to the adoption of ASU 2009-17. Refer to our Condensed Consolidated Balance Sheet for a detailed listing of the assets and liabilities of our consolidated VIEs at September 30, 2010.

The following describes the VIEs that we consolidated or in which we had a significant variable interest. We had certain secured funding arrangements that were structured through consolidating entities, as described in further detail in Note 14.

- ***On-balance sheet securitization trusts —*** We hold variable interests in certain securitization transactions that are VIEs. The nature of, purpose of, activities of, and our continuing involvement with the consolidated securitization trusts is virtually identical to those of our off-balance sheet securitization trusts, which are discussed in Note 9. As part of our securitizations, we typically retain servicing responsibilities. We also hold retained interests in these consolidated securitization trusts, which represent a continuing economic interest in the securitization. The retained interests include, but are not limited to, senior or subordinate mortgage- or asset-backed securities, interest-only strips, principal-only strips, and residuals. Certain of these retained interests provide credit enhancement to the securitization structure as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over collateralization requirements, which may or may not be performance-driven. Because the securitization trusts are consolidated, these retained interests are not recognized as a separate asset on our Condensed Consolidated Balance Sheet.

Prior to the adoption of ASU 2009-17, we were the primary beneficiary because we typically held the first loss position in these securitization transactions and, as a result, anticipated absorbing the majority of the expected losses of the VIE; thus, we consolidated these entities. Subsequent to adoption of ASU 2009-17, we are the primary beneficiary because we have a controlling financial interest in the VIE as we have both power over the VIE, primarily due to our servicing activities, and we hold a variable interest in the VIE. The assets (and associated beneficial interests) of the consolidated securitization trusts totaled $37.2 billion and $38.4 billion at September 30, 2010, and December 31, 2009, respectively. The majority of the assets are included as finance receivables and loans, net, on the Condensed Consolidated Balance Sheet. The majority of the beneficial interests were included as secured debt on the Condensed Consolidated Balance Sheet. We do not have a contractual obligation to provide any type of financial support in the future, nor did we provide noncontractual financial support to the entity during the three months ended September 30, 2010.

The assets of the securitization trusts generally are the sole source of repayment on the securitization trusts’ liabilities. The creditors of the securitization trusts do not have recourse to our general credit with the exception of the customary representation and warranty repurchase provisions and, in certain transactions, early payment default provisions as discussed in Note 30 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

- ***Servicing funding*** — To assist in the financing of our servicing advance receivables, our Mortgage operations formed an SPE to issue term notes to third-party investors that are collateralized by servicing advance receivables. These servicing advance receivables were transferred to the SPE and consisted of delinquent principal and interest advances made by our Mortgage operations, as servicer, to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The SPE funds the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our Mortgage operations. Management determined that we were the primary beneficiary of the SPE and therefore consolidated the entity. The assets of this entity totaled $1.0 billion and $1.4 billion at September 30, 2010, and December 31, 2009, respectively, and were included in other assets on the Consolidated Balance Sheet. The liabilities of this entity totaled $1.0 billion at September 30, 2010, consisting of $748 million in third-party term notes that were included in debt on the Condensed Consolidated Balance Sheet and $241 million in affiliate payables to ResCap, which were eliminated in consolidation. The liabilities of this entity totaled $1.4 billion at December 31, 2009, consisting of $700 million in third-party term notes that were included in debt on the Consolidated Balance Sheet and $677 million in affiliate payables to ResCap that were eliminated in consolidation. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor did we provide noncontractual financial support to the entity during the three months ended September 30, 2010.

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21. Segment Information

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

Three months ended September 30, *($ in millions)*	Global Automotive Services (a) North American Automotive Finance operations	International Automotive Finance operations (b)	Insurance operations	Mortgage operations (c)	Corporate and Other (d)	Consolidated (e)
2010						
Net financing revenue (loss)	**$ 817**	**$ 176**	**$ —**	**$ 147**	**$ (545)**	**$ 595**
Other revenue	**144**	**77**	**567**	**658**	**10**	**1,456**
Total net revenue (loss)	**961**	**253**	**567**	**805**	**(535)**	**2,051**
Provision for loan losses	**60**	**(5)**	**—**	**22**	**(68)**	**9**
Other noninterest expense	**333**	**184**	**453**	**629**	**117**	**1,716**
Income (loss) from continuing operations before income expense (benefit)	**568**	**74**	**114**	**154**	**(584)**	**326**
Income tax expense (benefit) from continuing operations	**161**	**9**	**17**	**5**	**(144)**	**48**
Net income (loss) from continuing operations	**407**	**65**	**97**	**149**	**(440)**	**278**
Income (loss) from discontinued operations, net of tax	**—**	**38**	**3**	**(51)**	**1**	**(9)**
Net income (loss)	**$ 407**	**$ 103**	**$ 100**	**$ 98**	**$ (439)**	**$ 269**
Total assets	**$ 77,295**	**$ 17,500**	**$ 8,796**	**$ 40,963**	**$ 28,637**	**$ 173,191**
2009						
Net financing revenue (loss)	$ 784	$ 197	$ —	$ 152	$ (558)	$ 575
Other revenue	78	79	607	428	219	1,411
Total net revenue (loss)	862	276	607	580	(339)	1,986
Provision for loan losses	123	32	—	330	195	680
Other noninterest expense	467	213	498	902	86	2,166
Income (loss) from continuing operations before income tax (benefit) expense	272	31	109	(652)	(620)	(860)
Income tax (benefit) expense from continuing operations	(27)	28	59	(151)	(200)	(291)
Net income (loss) from continuing operations	299	3	50	(501)	(420)	(569)
(Loss) income from discontinued operations, net of tax	—	(156)	46	(89)	1	(198)
Net income (loss)	$ 299	$ (153)	$ 96	$ (590)	$ (419)	$ (767)
Total assets	$ 67,070	$ 24,118	$ 11,660	$ 40,773	$ 34,633	$ 178,254

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico and include the automotive activities of Ally Bank and ResMor Trust. International operations consist of automotive financing and full-service leasing in all other countries.

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

(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.

(d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the residual impacts from our corporate funds transfer pricing and treasury asset liability management activities, and reclassifications and eliminations between the reportable operating segments. At September 30, 2010, total assets were $1.9 billion for the Commercial Finance Group.

(e) Net financing revenue (loss) after the provision for loan losses totaled $586 million and $(105) million for the three months ended September 30, 2010 and 2009, respectively.

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Nine months ended September 30, ($ in millions)	Global Automotive Services (a) North American Automotive Finance operations	Global Automotive Services (a) International Automotive Finance operations (b)	Global Automotive Services (a) Insurance operations	Mortgage operations (c)	Corporate and Other (d)	Consolidated (e)
2010						
Net financing revenue (loss)	**$ 2,619**	**$ 532**	**$ —**	**$ 483**	**$ (1,571)**	**$ 2,063**
Other revenue (loss)	**533**	**256**	**1,761**	**1,558**	**(166)**	**3,942**
Total net revenue (loss)	**3,152**	**788**	**1,761**	**2,041**	**(1,737)**	**6,005**
Provision for loan losses	**267**	**29**	**—**	**121**	**(42)**	**375**
Other noninterest expense	**1,034**	**538**	**1,356**	**1,380**	**369**	**4,677**
Income (loss) from continuing operations before income tax expense (benefit)	**1,851**	**221**	**405**	**540**	**(2,064)**	**953**
Income tax expense (benefit) from continuing operations	**594**	**—**	**100**	**11**	**(588)**	**117**
Net income (loss) from continuing operations	**1,257**	**221**	**305**	**529**	**(1,476)**	**836**
Income (loss) from discontinued operations, net of tax	**—**	**84**	**(2)**	**59**	**19**	**160**
Net income (loss)	**$ 1,257**	**$ 305**	**$ 303**	**$ 588**	**$ (1,457)**	**$ 996**
Total assets	**$ 77,295**	**$ 17,500**	**$ 8,796**	**$ 40,963**	**$ 28,637**	**$ 173,191**
2009						
Net financing revenue (loss)	$ 2,374	$ 525	$ —	$ 421	$ (1,878)	$ 1,442
Other revenue	527	242	1,703	400	656	3,528
Total net revenue (loss)	2,901	767	1,703	821	(1,222)	4,970
Provision for loan losses	272	141	—	1,762	368	2,543
Other noninterest expense	1,245	602	1,459	1,973	268	5,547
Income (loss) from continuing operations before income expense (benefit)	1,384	24	244	(2,914)	(1,858)	(3,120)
Income tax expense (benefit) from continuing operations	989	166	93	(421)	(146)	681
Net income (loss) from continuing operations	395	(142)	151	(2,493)	(1,712)	(3,801)
Loss from discontinued operations, net of tax	—	(157)	(521)	(859)	(7)	(1,544)
Net income (loss)	$ 395	$ (299)	$ (370)	$ (3,352)	$ (1,719)	$ (5,345)
Total assets	$ 67,070	$ 24,118	$ 11,660	$ 40,773	$ 34,633	$ 178,254

(a) North American operations consist of automotive financing in the United States, Canada, and Puerto Rico and include the automotive activities of Ally Bank and ResMor Trust. International operations consist of automotive financing and full-service leasing in all other countries.
(b) Amounts include intrasegment eliminations between North American operations, International operations, and Insurance operations.
(c) Represents the ResCap legal entity and the mortgage activities of Ally Bank and ResMor Trust.
(d) Represents our Commercial Finance Group, certain equity investments, other corporate activities, the residual impacts from our corporate funds transfer pricing and treasury asset liability management activities, and reclassifications and eliminations between the reportable operating segments. At September 30, 2010, total assets were $1.9 billion for the Commercial Finance Group.
(e) Net financing revenue (loss) after the provision for loan losses totaled $1,688 million and $(1,101) million for the nine months ended September 30, 2010 and 2009, respectively.

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22. Supplemental Financial Information

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

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

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

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Condensed Consolidating Statement of Income

Three months ended September 30, 2010 ($ in millions)	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Finance receivables and loans					
Consumer	$ 180	$ 3	$ 966	$ —	$ 1,149
Commercial	18	3	449	—	470
Notes receivable from General Motors	13	—	27	—	40
Intercompany	107	1	1	(109)	—
Total finance receivables and loans	318	7	1,443	(109)	1,659
Loans held-for-sale	7	—	146	—	153
Interest on trading securities	—	—	5	—	5
Interest and dividends on available-for-sale investment securities	—	—	88	—	88
Interest and dividends on available-for-sale investment securities – intercompany	75	—	3	(78)	—
Interest-bearing cash	6	—	16	—	22
Operating leases	297	—	558	—	855
Total financing revenue and other interest income	703	7	2,259	(187)	2,782
Interest expense					
Interest on deposits	14	—	158	—	172
Interest on short-term borrowings	12	—	98	—	110
Interest on long-term debt	977	3	471	—	1,451
Interest on intercompany debt	(5)	1	109	(105)	—
Total interest expense	998	4	836	(105)	1,733
Depreciation expense on operating lease assets	143	—	311	—	454
Net financing (loss) revenue	(438)	3	1,112	(82)	595
Dividends from subsidiary					
Bank subsidiary	—	—	—	—	—
Nonbank subsidiaries	129	—	—	(129)	—
Other revenue					
Servicing fees	104	—	301	(1)	404
Servicing asset valuation and hedge activities, net	—	—	(27)	—	(27)
Total servicing income, net	104	—	274	(1)	377
Insurance premiums and service revenue earned	—	—	470	—	470
Gain on mortgage and automotive loans, net	17	—	309	—	326
Loss on extinguishment of debt	—	—	(2)	—	(2)
Other gain on investments, net	—	—	104	—	104
Other income, net of losses	(2)	—	322	(139)	181
Total other revenue	119	—	1,477	(140)	1,456
Total net revenue	(190)	3	2,589	(351)	2,051
Provision for loan losses	(165)	—	174	—	9
Noninterest expense					
Compensation and benefits expense	190	1	202	—	393
Insurance losses and loss adjustment expenses	—	—	229	—	229
Other operating expenses	160	7	1,102	(175)	1,094
Total noninterest expense	350	8	1,533	(175)	1,716
(Loss) income from continuing operations before income tax					

(benefit) expense and undistributed income of subsidiaries	**(375)**	**(5)**	**882**	**(176)**	**326**
Income tax (benefit) expense from continuing operations	**(98)**	**—**	**146**	**—**	**48**
Net (loss) income from continuing operations	**(277)**	**(5)**	**736**	**(176)**	**278**
Income (loss) from discontinued operations, net of tax	**34**	**—**	**(43)**	**—**	**(9)**
Undistributed income of subsidiaries					
Bank subsidiary	**253**	**253**	**—**	**(506)**	**—**
Nonbank subsidiaries	**259**	**102**	**—**	**(361)**	**—**
Net income	**$ 269**	**$ 350**	**$ 693**	**$ (1,043)**	**$ 269**

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Three months ended September 30, 2009 ($ in millions)	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Finance receivables and loans					
Consumer	$ 116	$ 5	$ 1,003	$ —	$ 1,124
Commercial	71	3	333	—	407
Notes receivable from General Motors	31	1	23	—	55
Intercompany	178	—	6	(184)	—
Total finance receivables and loans	396	9	1,365	(184)	1,586
Loans held-for-sale	64	—	50	—	114
Interest on trading securities	—	—	62	—	62
Interest and dividends on available-for-sale investment securities	—	—	49	—	49
Interest and dividends on available-for-sale investment securities – intercompany	20	—	5	(25)	—
Interest-bearing cash	4	—	15	—	19
Other interest income, net	—	—	1	—	1
Operating leases	814	—	572	—	1,386
Total financing revenue and other interest income	1,298	9	2,119	(209)	3,217
Interest expense					
Interest on deposits	7	—	171	—	178
Interest on short-term borrowings	5	—	116	—	121
Interest on long-term debt	849	5	662	(67)	1,449
Interest in intercompany debt	(13)	2	115	(104)	—
Total interest expense	848	7	1,064	(171)	1,748
Depreciation expense on operating lease assets	502	—	392	—	894
Net financing (loss) revenue	(52)	2	663	(38)	575
Dividends from subsidiaries					
Nonbank subsidiaries	10	—	—	(10)	—
Other revenue					
Servicing fees	157	—	222	—	379
Servicing asset valuation and hedge activities, net	—	—	(110)	—	(110)
Total servicing income, net	157	—	112	—	269
Insurance premiums and service revenue earned	—	—	510	—	510
(Loss) gain on mortgage and automotive loans, net	(28)	—	205	—	177
Gain on extinguishment of debt	—	—	7	3	10
Other gain on investments, net	5	—	212	(1)	216
Other income, net of losses	(39)	1	412	(145)	229
Total other revenue	95	1	1,458	(143)	1,411
Total net revenue	53	3	2,121	(191)	1,986
Provision for loan losses	(8)	(1)	689	—	680
Noninterest expense					
Compensation and benefits expense	156	3	257	—	416
Insurance losses and loss adjustment expenses	—	—	254	—	254
Other operating expenses	253	(2)	1,395	(150)	1,496
Total noninterest expense	409	1	1,906	(150)	2,166
(Loss) income from continuing operations before income tax					

(benefit) expense and undistributed (loss) income of subsidiaries	(348)	3	(474)	(41)	(860)
Income tax (benefit) expense from continuing operations	(208)	1	(84)	—	(291)
Net (loss) income from continuing operations	(140)	2	(390)	(41)	(569)
Loss from discontinued operations, net of tax	(174)	—	(24)	—	(198)
Undistributed (loss) income of subsidiaries					
Bank subsidiary	(30)	(30)	—	60	—
Nonbank subsidiaries	(423)	8	—	415	—
Net loss	$ (767)	$ (20)	$ (414)	$ 434	$ (767)

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Nine months ended September 30, 2010 *($ in millions)*	**Parent**	**Guarantors**	**Non-guarantors**	**Consolidating adjustments**	**Ally consolidated**
Financing revenue and other interest income					
Finance receivables and loans					
Consumer	$ 627	$ 10	$ 2,770	$ —	$ 3,407
Commercial	20	10	1,331	—	1,361
Notes receivable from General Motors	55	—	80	—	135
Intercompany	421	2	1	(424)	—
Total finance receivables and loans	1,123	22	4,182	(424)	4,903
Loans held-for-sale	74	—	450	—	524
Interest on trading securities	—	—	12	—	12
Interest and dividends on available-for-sale investment securities	—	—	281	(2)	279
Interest and dividends on available-for-sale investment securities – intercompany	115	—	5	(120)	—
Interest-bearing cash	11	—	43	—	54
Operating leases	780	—	2,249	—	3,029
Total financing revenue and other interest income	2,103	22	7,222	(546)	8,801
Interest expense					
Interest on deposits	36	—	449	—	485
Interest on short-term borrowings	31	—	291	—	322
Interest on long-term debt	2,806	12	1,477	—	4,295
Interest on intercompany debt	(16)	2	447	(433)	—
Total interest expense	2,857	14	2,664	(433)	5,102
Depreciation expense on operating lease assets	292	—	1,344	—	1,636
Net financing (loss) revenue	(1,046)	8	3,214	(113)	2,063
Dividends from subsidiaries					
Bank subsidiary					
Nonbank subsidiaries	145	1	—	(146)	—
Other revenue					
Servicing fees	347	—	827	(1)	1,173
Servicing asset valuation and hedge activities, net	—	—	(181)	—	(181)
Total servicing income, net	347	—	646	(1)	992
Insurance premiums and service revenue earned	—	—	1,415	—	1,415
Gain on mortgage and automotive loans, net	6	—	857	—	863
Loss on extinguishment of debt	(116)	—	(7)	—	(123)
Other gain on investments, net	(13)	—	353	(1)	339
Other income, net of losses	(53)	1	924	(416)	456
Total other revenue	171	1	4,188	(418)	3,942
Total net revenue	(730)	10	7,402	(677)	6,005
Provision for loan losses	(213)	(1)	589	—	375
Noninterest expense					
Compensation and benefits expense	569	8	631	—	1,208
Insurance losses and loss adjustment expenses	—	—	664	—	664
Other operating expenses	483	20	2,754	(452)	2,805
Total noninterest expense	1,052	28	4,049	(452)	4,677
(Loss) income from continuing operations before income tax (benefit) expense and undistributed					

income of subsidiaries	**(1,569)**	**(17)**	**2,764**	**(225)**	**953**
Income tax (benefit) expense from continuing operations	**(411)**	**—**	**528**	**—**	**117**
Net (loss) income from continuing operations	**(1,158)**	**(17)**	**2,236**	**(225)**	**836**
Income from discontinued operations, net of tax	**114**	**—**	**46**	**—**	**160**
Undistributed income of subsidiaries					
Bank subsidiary	**602**	**602**	**—**	**(1,204)**	**—**
Nonbank subsidiaries	**1,438**	**240**	**—**	**(1,678)**	**—**
Net income	**$ 996**	**$ 825**	**$ 2,282**	**$ (3,107)**	**$ 996**

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ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Nine months ended September 30, 2009 *($ in millions)*	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Finance receivables and loans					
Consumer	$ 390	$ 15	$ 3,127	$ —	$ 3,532
Commercial	201	11	1,047	—	1,259
Notes receivable from General Motors	81	1	62	—	144
Intercompany	641	4	7	(652)	—
Total finance receivables and loans	1,313	31	4,243	(652)	4,935
Loans held-for-sale	190	—	92	—	282
Interest on trading securities	—	—	119	—	119
Interest and dividends on available-for-sale investment securities	—	—	162	—	162
Interest and dividends on available-for-sale investment securities – intercompany	259	—	—	(259)	—
Interest-bearing cash	24	—	64	—	88
Other interest income, net	—	—	56	—	56
Operating leases	2,672	—	1,819	—	4,491
Total financing revenue and other interest income	4,458	31	6,555	(911)	10,133
Interest expense					
Interest on deposits	18	—	517	—	535
Interest on short-term borrowings	23	2	439	—	464
Interest on long-term debt	2,959	16	1,917	(207)	4,685
Interest on intercompany debt	(28)	9	510	(491)	—
Total interest expense	2,972	27	3,383	(698)	5,684
Depreciation expense on operating lease assets	1,621	—	1,386	—	3,007
Net financing (loss) revenue	(135)	4	1,786	(213)	1,442
Dividends from subsidiaries					
Nonbank subsidiaries	40	—	—	(40)	—
Other revenue					
Servicing fees	544	—	632	—	1,176
Servicing asset valuation and hedge activities, net	—	—	(687)	—	(687)
Total servicing income, net	544	—	(55)	—	489
Insurance premiums and service revenue earned	—	—	1,501	—	1,501
Gain on mortgage and automotive loans, net	4	—	662	—	666
Gain (loss) on extinguishment of debt	623	—	1,736	(1,692)	667
Other gain on investments, net	553	—	279	(533)	299
Other income, net of losses	(818)	2	1,182	(460)	(94)
Total other revenue	906	2	5,305	(2,685)	3,528
Total net revenue	811	6	7,091	(2,938)	4,970
Provision for loan losses	(198)	—	2,741	—	2,543
Noninterest expense					
Compensation and benefits expense	417	8	745	—	1,170
Insurance losses and loss adjustment expenses	—	—	800	—	800
Other operating expenses	659	(1)	3,384	(465)	3,577
Total noninterest expense	1,076	7	4,929	(465)	5,547
Loss from continuing operations before income tax expense (benefit) and undistributed (loss) income of subsidiaries	(67)	(1)	(579)	(2,473)	(3,120)

Income tax expense (benefit) from continuing operations	921	—	(240)	—	681
Net loss from continuing operations	(988)	(1)	(339)	(2,473)	(3,801)
Loss from discontinued operations, net of tax	(174)	—	(1,370)	—	(1,544)
Undistributed (loss) income of subsidiaries					
Bank subsidiary	(358)	(358)	—	716	—
Nonbank subsidiaries	(3,825)	50	—	3,775	—
Net loss	$(5,345)	$ (309)	$ (1,709)	$ 2,018	$ (5,345)

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Balance Sheet

September 30, 2010 *($ in millions)*	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$ 1,096	$ —	$ 318	$ —	$ 1,414
Interest-bearing	4,219	10	6,946	—	11,175
Interest-bearing – intercompany	—	—	6	(6)	—
Total cash and cash equivalents	5,315	10	7,270	(6)	12,589
Trading securities	—	—	211	—	211
Investment securities					
Available-for-sale	—	—	11,925	—	11,925
Intercompany	12	—	417	(429)	—
Total investment securities	12	—	12,342	(429)	11,925
Loans held-for-sale, net	343	—	12,922	—	13,265
Finance receivables and loans, net of unearned income					
Consumer	6,585	205	53,395	—	60,185
Commercial	2,154	147	35,749	—	38,050
Notes receivable from General Motors	—	—	483	—	483
Intercompany loans to					
Bank subsidiary	5,000	—	—	(5,000)	—
Nonbank subsidiaries	9,760	34	81	(9,875)	—
Allowance for loan losses	(257)	(2)	(1,795)	—	(2,054)
Total finance receivables and loans, net	23,242	384	87,913	(14,875)	96,664
Investment in operating leases, net	3,817	—	6,396	—	10,213
Intercompany receivables from					
Bank subsidiary	5,595	—	—	(5,595)	—
Nonbank subsidiaries	217	—	21	(238)	—
Investment in subsidiaries					
Bank subsidiary	9,537	9,537	—	(19,074)	—
Nonbank subsidiaries	20,814	3,243	—	(24,057)	—
Mortgage servicing rights	—	—	2,746	—	2,746
Premiums receivable and other insurance assets	—	—	2,177	(8)	2,169
Other assets	3,434	2	19,865	(1,484)	21,817
Assets of operations held-for-sale	(127)	—	1,719	—	1,592
Total assets	$72,199	$ 13,176	$ 153,582	$ (65,766)	$ 173,191
Liabilities					
Deposit liabilities					
Noninterest-bearing	$ —	$ —	$ 2,547	$ —	$ 2,547
Interest-bearing	1,421	—	33,989	—	35,410
Total deposit liabilities	1,421	—	36,536	—	37,957
Debt					
Short-term borrowings	2,285	24	3,605	—	5,914
Long-term debt	43,343	278	43,930	(4)	87,547
Intercompany debt to					
Nonbank subsidiaries	423	81	14,807	(15,311)	—
Total debt	46,051	383	62,342	(15,315)	93,461
Intercompany payables to					
Nonbank subsidiaries	1,361	13	4,464	(5,838)	—
Interest payable	1,090	5	729	—	1,824
Unearned insurance premiums and service revenue	—	—	2,937	—	2,937
Reserves for insurance losses and loss adjustment expenses	—	—	922	—	922

Accrued expenses and other liabilities	**1,299**	**9**	**14,548**	**(1,486)**	**14,370**
Liabilities of operations held-for-sale	**—**	**—**	**743**	**—**	**743**
Total liabilities	**51,222**	**410**	**123,221**	**(22,639)**	**152,214**
Total equity	**20,977**	**12,766**	**30,361**	**(43,127)**	**20,977**
Total liabilities and equity	**$72,199**	**$ 13,176**	**$ 153,582**	**$ (65,766)**	**$ 173,191**

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

December 31, 2009 *($ in millions)*	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$ 418	$ —	$ 1,422	$ —	$ 1,840
Interest-bearing	339	5	12,604	—	12,948
Total cash and cash equivalents	757	5	14,026	—	14,788
Trading securities	—	—	739	—	739
Investment securities					
Available-for-sale	—	—	12,155	—	12,155
Held-to-maturity	—	—	3	—	3
Intercompany	380	—	261	(641)	—
Total investment securities	380	—	12,419	(641)	12,158
Loans held-for-sale, net	1,758	—	18,867	—	20,625
Finance receivables and loans, net of unearned income					
Consumer	2,804	251	39,794	—	42,849
Commercial	2,193	273	31,475	—	33,941
Notes receivable from General Motors	—	—	911	—	911
Intercompany loans to					
Bank subsidiary	5,139	—	—	(5,139)	—
Nonbank subsidiaries	16,073	83	161	(16,317)	—
Allowance for loan losses	(383)	(3)	(2,059)	—	(2,445)
Total finance receivables and loans, net	25,826	604	70,282	(21,456)	75,256
Investment in operating leases, net	1,479	—	14,516	—	15,995
Intercompany receivables from					
Bank subsidiary	1,001	—	—	(1,001)	—
Nonbank subsidiaries	178	—	198	(376)	—
Investment in subsidiaries					
Bank subsidiary	7,903	7,903	—	(15,806)	—
Nonbank subsidiaries	26,186	3,059	—	(29,245)	—
Mortgage servicing rights	—	—	3,554	—	3,554
Premiums receivable and other insurance assets	—	—	2,728	(8)	2,720
Other assets	4,443	4	16,795	(1,355)	19,887
Assets of operations held-for-sale	(324)	—	6,908	—	6,584
Total assets	$69,587	$ 11,575	$ 161,032	$ (69,888)	$ 172,306
Liabilities					
Deposit liabilities					
Noninterest-bearing	$ —	$ —	$ 1,755	$ —	$ 1,755
Interest-bearing	1,041	—	28,960	—	30,001
Total deposit liabilities	1,041	—	30,715	—	31,756
Debt					
Short-term borrowings	1,795	39	8,458	—	10,292
Long-term debt	40,888	406	46,732	(5)	88,021
Intercompany debt to					
Nonbank subsidiaries	260	163	21,702	(22,125)	—
Total debt	42,943	608	76,892	(22,130)	98,313
Intercompany payables to					
Nonbank subsidiaries	1,385	1	—	(1,386)	—
Interest payable	1,082	12	553	(10)	1,637
Unearned insurance premiums and service revenue	—	—	3,192	—	3,192
Reserves for insurance losses and loss adjustment expenses	—	—	1,215	—	1,215
Accrued expenses and other liabilities	2,297	(7)	9,452	(1,286)	10,456
Liabilities of operations held-for-sale	—	—	4,898	—	4,898
Total liabilities	48,748	614	126,917	(24,812)	151,467
Total equity	20,839	10,961	34,115	(45,076)	20,839

Total liabilities and equity	$69,587	$ 11,575	$ 161,032	$ (69,888)	$ 172,306

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Condensed Consolidating Statement of Cash Flows

Nine months ended September 30, 2010 *($ in millions)*	**Parent**	**Guarantors**	**Non-guarantors**	**Consolidating adjustments**	**Ally consolidated**
Operating activities					
Net cash provided by operating activities	$ 3,661	$ 22	$ 8,004	$ (147)	$ 11,540
Investing activities					
Purchases of available-for-sale securities	—	—	(15,902)	—	(15,902)
Proceeds from sales of available-for-sale securities	41	—	13,380	(41)	13,380
Proceeds from maturities of available-for-sale securities	—	—	3,646	—	3,646
Net decrease (increase) in investment securities – intercompany	309	—	(156)	(153)	—
Net (increase) decrease in finance receivables and loans	(3,934)	171	(8,660)	—	(12,423)
Proceeds from sales of finance receivables and loans	5	—	2,549	—	2,554
Change in notes receivable from GM	—	—	1	—	1
Net decrease in loans – intercompany	6,087	49	81	(6,217)	—
Net (increase) decrease in operating lease assets	(2,575)	—	6,889	—	4,314
Purchases of mortgage servicing rights, net	—	—	(45)	—	(45)
Capital contributions to subsidiaries	(737)	(612)	—	1,349	—
Returns of contributed capital	518	—	—	(518)	—
Sale of business unit, net	59	—	(390)	—	(331)
Other, net	144	—	1,059	—	1,203
Net cash (used in) provided by investing activities	(83)	(392)	2,452	(5,580)	(3,603)
Financing activities					
Net change in short-term debt – third party	501	(15)	(5,342)	—	(4,856)
Net increase in bank deposits	—	—	4,776	—	4,776
Proceeds from issuance of long-term debt – third party	5,043	152	26,999	41	32,235
Repayments of long-term debt – third party	(4,245)	(280)	(39,302)	—	(43,827)
Net change in debt – intercompany	163	(82)	(6,445)	6,364	—
Dividends paid – third party	(862)	—	—	—	(862)
Dividends paid and returns of contributed capital – intercompany	—	—	(665)	665	—
Capital contributions from parent	—	600	749	(1,349)	—
Other, net	380	—	875	—	1,255
Net cash provided by (used in) financing activities	980	375	(18,355)	5,721	(11,279)
Effect of exchange-rate changes on cash and cash equivalents	—	—	501	—	501
Net increase (decrease) in cash and cash equivalents	4,558	5	(7,398)	(6)	(2,841)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	642	—	642
Cash and cash equivalents at beginning of year	757	5	14,026	—	14,788
Cash and cash equivalents at September 30	$ 5,315	$ 10	$ 7,270	$ (6)	$ 12,589

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Nine months ended September 30, 2009 *($ in millions)*	Parent	Guarantors	Non-guarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	$ 1,427	$ 21	$ 544	$ (40)	$ 1,952
Investing activities					
Purchases of available-for-sale securities	(118)	—	(17,288)	118	(17,288)
Proceeds from sales of available-for-sale securities	89	—	6,669	(89)	6,669
Proceeds from maturities of available-for-sale securities	—	—	3,282	—	3,282
Net decrease (increase) in investment securities – intercompany	2	—	(63)	61	—
Net (increase) decrease in finance receivables and loans	(2,379)	165	12,027	—	9,813
Proceeds from sales of finance receivables and loans	446	—	11	—	457
Change in notes receivable from GM	—	—	751	—	751
Net decrease (increase) in loans – intercompany	1,118	161	(218)	(1,061)	—
Net (increase) decrease in operating lease assets	(1,671)	—	6,100	—	4,429
Purchases of mortgage servicing rights, net	—	—	7	—	7
Capital contributions to subsidiaries	(4,765)	(3,900)	—	8,665	—
Returns of contributed capital	616	—	—	(616)	—
Sale of business unit, net	—	—	96	—	96
Other, net	262	—	223	—	485
Net cash (used in) provided by investing activities	(6,400)	(3,574)	11,597	7,078	8,701
Financing activities					
Net change in short-term debt – third party	(36)	(87)	(796)	—	(919)
Net increase in bank deposits	—	—	12,627	(4,495)	8,132
Proceeds from issuance of long-term debt – third party	4,397	54	19,311	89	23,851
Repayments of long-term debt	(8,058)	(46)	(42,778)	(118)	(51,000)
Net change in debt – intercompany	(47)	(278)	(692)	1,017	—
Proceeds from issuance of common members' interests	1,247	—	—	—	1,247
Proceeds from issuance of preferred stock held by U.S. Department of Treasury	7,500	—	—	—	7,500
Dividends paid – third party	(1,082)	—	—	—	(1,082)
Dividends paid and returns of contributed capital – intercompany	—	—	(656)	656	—
Capital contributions from parent	—	3,900	4,765	(8,665)	—
Other, net	496	—	786	—	1,282
Net cash provided by (used in) financing activities	4,417	3,543	(7,433)	(11,516)	(10,989)
Effect of exchange-rate changes on cash and cash equivalents	—	—	(28)	—	(28)
Net (decrease) increase in cash and cash equivalents	(556)	(10)	4,680	(4,478)	(364)
Cash and cash equivalents reclassified to assets held-for-sale	—	—	(562)	—	(562)
Cash and cash equivalents at beginning of year	5,643	12	9,513	(17)	15,151
Cash and cash equivalents at					

September 30	$ 5,087	$	2	$	13,631	$	(4,495)	$	14,225

23. Contingencies and Other Risks

Temporary Suspension of Mortgage Foreclosure Sales and Evictions

On September 17, 2010, GMAC Mortgage, LLC (GMACM), an indirect wholly owned subsidiary of Ally Financial Inc., temporarily suspended mortgage foreclosure home sales and evictions and postponed hearings on motions for judgment in certain states. This decision was made after a procedural issue was detected in the execution of certain affidavits used in connection with judicial foreclosures in some but not all states. The issue relates to whether persons signing the affidavits had appropriately verified the information in them and whether they were signed in the immediate physical presence of a notary. In response to this and to enhance existing processes, GMACM has recently implemented supplemental procedures that are used in all new foreclosure cases to seek to ensure that affidavits are prepared in compliance with applicable law. GMACM is also reviewing all foreclosure files in all states prior to going to foreclosure sale. After each foreclosure case is reviewed and it is determined that moving forward is appropriate, GMACM will proceed with the foreclosure process to completion using existing or substitute affidavits where applicable or required.

Our review related to this matter is ongoing, and we cannot predict the ultimate impact of any deficiencies that have been or may be identified in our historical foreclosure processes. However, thus far we have not found any evidence of unwarranted foreclosures. There are potential risks related to these matters, which may extend beyond potential liability on individual foreclosure actions. Specific risks could include, for example, claims and litigation related to foreclosure file remediation and resubmission; claims from investors that hold securities that become adversely impacted by continued delays in the foreclosure process; actions by courts, state attorneys general or regulators to delay further the foreclosure process after submission of corrected affidavits; regulatory fines and sanctions; and reputational risks. While there are risks and uncertainties as a result of these matters, based on information currently available we do not believe that there is a probable and estimable unasserted claim or loss contingency that should be recorded as of September 30, 2010. Based on all available information, an estimate of future possible loss or range of loss cannot be made at this time.

Loan Repurchases and Obligations Related to Loan Sales

Our Mortgage operations sell loans through agency sales to the GSEs, private label securitizations, and whole-loan purchasers. In connection with these activities we provide to the GSEs, investors, whole-loan purchasers, and financial guarantors (monolines) various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and warranties described above may be enforced at any time over the life of the loan. ResCap assumes all of the customary representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market. In the event ResCap fails to meet these obligations, Ally Financial Inc. has provided a guarantee to Ally Bank that covers it from liability.

Upon a breach of a representation, we correct the breach in a manner conforming to the provisions of the sale agreement. This may require us either to repurchase the loan or to indemnify (make-whole) a party for incurred losses or provide other recourse to a GSE or investor. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or a make-whole payment. We actively contest claims to the extent we do not consider them valid. In cases where we repurchase loans, we bear the subsequent credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value. We seek to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

The reserve 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 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 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.

At the time a loan is sold, an estimate 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 reserve throughout the life of the loans, as necessary, when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Condensed Consolidated Statement of Income.

ALLY FINANCIAL INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

The following tables summarize the changes in our reserve for representation and warranty obligations.

Three months ended September 30, *($ in millions)*	**2010**	2009
Balance at July 1,	**$ 855**	$ 463
Provision for mortgage representation and warranty expenses		
Loan sales	**8**	—
Change in estimate – continuing operations	**344**	504
Change in estimate – discontinued operations	**—**	13
Total additions	**352**	517
Realized losses (a)	**(84)**	(101)
Recoveries	**5**	4
Balance at September 30,	**$1,128**	$ 883

(a) Includes principal losses and accrued interest on repurchased loans, make-whole payments, and settlements with claimants.

Nine months ended September 30, *($ in millions)*	**2010**	2009
Balance at January 1,	**$1,263**	$ 231
Provision for mortgage representation and warranty expenses		
Loan sales	**31**	—
Change in estimate – continuing operations	**490**	910
Change in estimate – discontinued operations	**—**	10
Total additions	**521**	920
Realized losses (a)	**(668)**	(274)
Recoveries	**12**	6
Balance at September 30,	**$1,128**	$ 883

(a) Includes principal losses and accrued interest on repurchased loans, make-whole payments, and settlements with claimants.

In March 2010, our subsidiaries, GMACM and Residential Funding Company, LLC, 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 mortgage loans sold to Freddie Mac prior to January 1, 2009. The release does not affect any of our potential repurchase obligations related to mortgage loans sold to Freddie Mac after January 1, 2009. Amounts paid by us in connection with the agreement were consistent with previously established related reserves. This agreement does not release any of our obligations with respect to loans where our subsidiary, Ally Bank, is the owner of the servicing.

24. Subsequent Events

Declaration of Quarterly Dividend Payments

On October 1, 2010, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $1.125 per share, or a total of $257 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, and a cash dividend of approximately $17.31 per share, or a total of approximately $45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G. The dividends are payable on November 15, 2010.

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

Selected Financial Data

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
Financial statement data				
Total financing revenue and other interest income	**$ 2,782**	$ 3,217	**$ 8,801**	$ 10,133
Interest expense	**1,733**	1,748	**5,102**	5,684
Depreciation expense on operating lease assets	**454**	894	**1,636**	3,007
Net financing revenue	**595**	575	**2,063**	1,442
Total other revenue	**1,456**	1,411	**3,942**	3,528
Total net revenue	**2,051**	1,986	**6,005**	4,970
Provision for loan losses	**9**	680	**375**	2,543
Total noninterest expense	**1,716**	2,166	**4,677**	5,547
Income (loss) from continuing operations before income tax expense (benefit)	**326**	(860)	**953**	(3,120)
Income tax expense (benefit) from continuing operations (a)	**48**	(291)	**117**	681
Net income (loss) from continuing operations	**278**	(569)	**836**	(3,801)
(Loss) income from discontinued operations, net of tax	**(9)**	(198)	**160**	(1,544)
Net income (loss)	**$ 269**	$ (767)	**$ 996**	$ (5,345)
Total assets	**$173,191**	$178,254	**$173,191**	$178,254
Total debt	**$ 93,461**	$102,040	**$ 93,461**	$102,040
Total equity	**$ 20,977**	$ 24,941	**$ 20,977**	$ 24,941
Financial ratios (b)				
Return on assets				
Net income (loss) from continuing operations	**0.61%**	(1.28)%	**0.62%**	(2.81)%
Net income (loss)	**0.59%**	(1.73)%	**0.74%**	(3.96)%
Return on equity				
Net income (loss) from continuing operations	**5.34%**	(8.87)%	**5.38%**	(20.72)%
Net income (loss)	**5.17%**	(11.96)%	**6.41%**	(29.14)%
Equity to assets ratio	**11.43%**	14.46%	**11.55%**	13.58%
Regulatory capital ratios				
Tier 1 capital	**15.36%**	14.41%	**15.36%**	14.41%
Total risk-based capital	**16.81%**	15.82%	**16.81%**	15.82%
Tier 1 leverage	**12.46%**	13.50%	**12.46%**	13.50%
Tier 1 common	**5.34%**	6.06%	**5.34%**	6.06%

(a) Effective June 30, 2009, we converted 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. Refer to Note 17 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.

(b) The 2010 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies.

Overview

Ally is one of the world's largest automotive financial services companies with approximately $173.2 billion of assets at September 30, 2010. Founded in 1919 as a wholly owned subsidiary of General Motors Corporation (currently General Motors Company or GM), Ally is the official preferred source of financing for GM, Chrysler, Saab, Suzuki, Fiat, and Thor Industries vehicles and offers a full suite of automotive financing products and services in key markets around the world. Our other business units include mortgage operations and commercial finance, and our subsidiary, Ally Bank, which offers online retail banking products. Ally also operates as a bank holding company. On December 24, 2008, we became a bank holding company under the Bank Holding Company Act of 1956, as amended.

Discontinued Operations

During 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and classified certain of these operations as discontinued. During 2010, the operations of our International Automotive Finance operations in Australia and Russia and our U.K. mortgage operations were classified as discontinued. For all periods presented, all of the operating results for these operations were removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

Primary Lines of Business

Global Automotive Services and Mortgage operations are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business for the three months and nine months ended September 30, 2010 and 2009. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Favorable/ (unfavorable) % change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Favorable/ (unfavorable) % change
Total net revenue (loss)						
Global Automotive Services						
North American Automotive Finance operations	**$ 961**	$ 862	**11**	**$ 3,152**	$ 2,901	**9**
International Automotive Finance operations	**253**	276	**(8)**	**788**	767	**3**
Insurance operations	**567**	607	**(7)**	**1,761**	1,703	**3**
Mortgage operations	**805**	580	**39**	**2,041**	821	**149**
Corporate and Other	**(535)**	(339)	**(58)**	**(1,737)**	(1,222)	**(42)**
Total	**$2,051**	$1,986	**3**	**$ 6,005**	$ 4,970	**21**
Income (loss) from continuing operations before income tax expense (benefit)						
Global Automotive Services						
North American Automotive Finance operations	**$ 568**	$ 272	**109**	**$ 1,851**	$ 1,384	**34**
International Automotive Finance operations	**74**	31	**139**	**221**	24	**n/m**
Insurance operations	**114**	109	**5**	**405**	244	**66**
Mortgage operations	**154**	(652)	**124**	**540**	(2,914)	**119**
Corporate and Other	**(584)**	(620)	**6**	**(2,064)**	(1,858)	**(11)**
Total	**$ 326**	$ (860)	**138**	**$ 953**	$(3,120)	**131**
Net income (loss) from continuing operations						
Global Automotive Services						
North American Automotive Finance operations	**$ 407**	$ 299	**36**	**$ 1,257**	$ 395	**n/m**
International Automotive Finance operations	**65**	3	**n/m**	**221**	(142)	**n/m**
Insurance operations	**97**	50	**94**	**305**	151	**102**
Mortgage operations	**149**	(501)	**130**	**529**	(2,493)	**121**
Corporate and Other	**(440)**	(420)	**(5)**	**(1,476)**	(1,712)	**14**
Total	**$ 278**	$ (569)	**149**	**$ 836**	$(3,801)	**122**

n/m = not meaningful

- Our Global Automotive Services offer a wide range of financial services and products to retail automotive consumers, automotive dealerships, and other commercial businesses. Our Global Automotive Services consist of three separate reportable segments — North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our North American Automotive Finance operations include the automotive activities of Ally Bank and ResMor Trust. The products and services offered by our automotive finance services include the purchase of retail installment sales contracts and leases, offering of term loans to dealers, financing of dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. In addition, our automotive finance services utilize bank deposit funding at Ally Bank, asset securitizations, whole-loan sales through our forward flow agreements, and debt issuances, to the extent available, as components of our diversified funding strategy.

  We also offer vehicle service contracts and selected commercial insurance coverages in the United States and internationally. We are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages. Our vehicle service contracts offer vehicle owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. Additionally, we provide commercial insurance primarily covering dealers' wholesale vehicle inventory.

We have significantly streamlined our international presence to focus on strategic operations. Our International Automotive Finance operations will focus the majority of originations in five core international markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture.

On September 30, 2010, we announced that we were selected to be the preferred financing provider for Fiat vehicles in the United States. We will offer retail financing, leasing, wholesale financing, working capital and facility loans, and remarketing services to the new Fiat dealer network. In October 2010, Chrysler LLC began announcing dealers that secured a Fiat franchise in the United States.

On August 6, 2010, we entered into an agreement with Chrysler LLC (Chrysler) to provide automotive financing products and services to Chrysler dealers and customers. 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 and 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. The agreement is filed as Exhibit 10.1 to this Form 10-Q.

On July 13, 2010, we announced our intention to rebrand the GMAC consumer and dealer-related automotive finance operations in the United States, Canada, and Mexico and begin using the Ally name during the month of August 2010. The Ally brand will be used for automotive financing activities to support the following manufacturers: General Motors, Chrysler, Saab, Thor Industries, and Fiat United States and Mexico. Our automotive finance operations outside of these three countries will continue to operate under the GMAC brand as options for further use of the Ally brand are evaluated.

On April 5, 2010, we announced that we expanded our automotive finance operations to include recreation vehicles and were selected by Thor Industries as the preferred financial provider for their retail customers. During June 2010, we began accepting retail finance applications for new and used recreation vehicles from Thor dealers in certain high volume states. We expect to expand retail financing nationwide to all qualified dealers in Thor's U.S. network by the end of 2010.

On March 15, 2010, we announced that Spyker Cars N.V., which recently purchased Saab Automobile from General Motors, selected Ally as the preferred source of wholesale and retail financing for qualified Saab dealers and customers in North America and internationally.

- Our Mortgage operations engage in the origination, purchase, servicing, sale, and securitization of consumer (i.e., residential) mortgage loans and mortgage-related products. Mortgage operations include the Residential Capital, LLC (ResCap) legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. In response to market conditions, our Mortgage operations substantially eliminated production of loans that do not conform to the underwriting guidelines of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government Sponsored Enterprises (GSEs)) in the United States.
- Corporate and Other consist of our Commercial Finance Group, certain equity investments, other corporate activities, the residual impacts of our corporate funds transfer pricing (FTP) and treasury asset liability management (ALM) activities, and reclassifications and eliminations between the reportable operating segments.

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Consolidated Results of Operations

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

	Three months ended September 30,			Nine months ended September 30,		
			Favorable/ (unfavorable)			Favorable/ (unfavorable)
($ in millions)	**2010**	2009	**% change**	**2010**	2009	**% change**
Net financing revenue						
Total financing revenue and other interest income	**$2,782**	$3,217	**(14)**	**$8,801**	$10,133	**(13)**
Interest expense	**1,733**	1,748	**1**	**5,102**	5,684	**10**
Depreciation expense on operating lease assets	**454**	894	**49**	**1,636**	3,007	**46**
Net financing revenue	**595**	575	**3**	**2,063**	1,442	**43**
Other revenue						
Net servicing income	**377**	269	**40**	**992**	489	**103**
Insurance premiums and service revenue earned	**470**	510	**(8)**	**1,415**	1,501	**(6)**
Gain on mortgage and automotive loans, net	**326**	177	**84**	**863**	666	**30**
(Loss) gain on extinguishment of debt	**(2)**	10	**(120)**	**(123)**	667	**(118)**
Other gain on investments, net	**104**	216	**(52)**	**339**	299	**13**
Other income, net of losses	**181**	229	**(21)**	**456**	(94)	**n/m**
Total other revenue	**1,456**	1,411	**3**	**3,942**	3,528	**12**
Total net revenue	**2,051**	1,986	**3**	**6,005**	4,970	**21**
Provision for loan losses	**9**	680	**99**	**375**	2,543	**85**
Noninterest expense						
Insurance losses and loss adjustment expenses	**229**	254	**10**	**664**	800	**17**
Other operating expenses	**1,487**	1,912	**22**	**4,013**	4,747	**15**
Total noninterest expense	**1,716**	2,166	**21**	**4,677**	5,547	**16**
Income (loss) from continuing operations before income tax expense (benefit)	**326**	(860)	**138**	**953**	(3,120)	**131**
Income tax expense (benefit) from continuing operations	**48**	(291)	**(116)**	**117**	681	**83**
Net income (loss) from continuing operations	**$ 278**	$ (569)	**149**	**$ 836**	$ (3,801)	**122**

n/m = not meaningful

We earned net income from continuing operations of $278 million for the three months ended September 30, 2010, compared to a net loss of $569 million for the three months ended September 30, 2009, and net income of $836 million for the nine months ended September 30, 2010, compared to a net loss of $3.8 billion for the nine months ended September 30, 2009. Continuing operations for the three months and nine months ended September 30, 2010, were favorably impacted by the stabilization of our consumer and commercial portfolios, which resulted in significant decreases in our provision for loan losses and our continued focus on cost reduction resulted in lower operating expenses. The nine months ended September 30, 2010, were also favorably impacted by an increase in net servicing income and the absence of impairments on equity investments, lot option projects, model homes, and foreclosed real estate. Lastly, income tax expense decreased for the nine months ended September 30, 2010, relative to the prior year as a result of the initial tax expense adjustment associated with the recording of deferred tax liabilities related to our conversion from a limited liability company to a corporation in 2009.

Total financing revenue and other interest income decreased by 14% and 13% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. Our International Automotive Finance operations experienced lower consumer and commercial asset levels due to lower dealer inventory levels and the runoff of wind-down portfolios. Declines in asset levels at our Mortgage operations resulted from asset sales and portfolio runoff. Operating lease revenue (along with the related depreciation expense) at our Global Automotive Services 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 decreases were partially offset by lease portfolio remarketing gains due to strong used vehicle prices and increases in consumer and commercial financing revenue related to the addition of non-GM automotive financing business.

Interest expense decreased $15 million and $582 million in the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. Interest expense decreased as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities and lower asset levels.

Net servicing income was $377 million and $992 million for the three months and nine months ended September 30, 2010, respectively, compared to $269 million and $489 million for the same periods in 2009. The increase for the three months and nine months ended was primarily due to movement of the hedges mitigating the decline in the mortgage servicing asset.

Insurance premiums and service revenue earned decreased 8% and 6% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were 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 for the nine months ended September 30, 2010, was partially offset by increased volume in our international operations.

Gain on mortgage and automotive loans increased 84% and 30% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The increases during both periods were related to unfavorable valuation adjustments taken during 2009 on our held-for-sale automotive loan portfolios, gains on mortgage whole-loan sales in 2010, compared to no whole-loan sales in 2009, higher gains on mortgage loan resolutions in 2010, and gains due to higher commitment volume. Additionally, the nine months ended September 30, 2010, were favorably impacted by higher levels of retail automotive whole-loan sales. These increases were partially offset by higher gains on the sale of wholesale automotive financing receivables during 2009 compared to no gains in 2010 as there were no off-balance sheet wholesale funding transactions.

We incurred a loss on extinguishment of debt of $2 million and $123 million for the three months and nine months ended September 30, 2010, respectively, compared to gains of $10 million and $667 million for the three months and nine months ended September 30, 2009, respectively. The activity in all periods related to the extinguishment of certain Ally debt, which for the nine months ended September 30, 2010, included $101 million of accelerated amortization of original issue discount.

Other gain on investments was $104 million and $339 million for the three months and nine months ended September 30, 2010, respectively, compared to $216 million and $299 million for the three months and nine months ended September 30, 2009, respectively. The three months and nine months ended September 30, 2010, decreased due to the elimination of mark-to-market accounting on retained interests effective January 1, 2010, as those off-balance sheet assets have been brought on-balance sheet in 2010. The increase during the nine months ended September 30, 2010, was primarily related to higher realized investment gains driven by market repositioning and the sale of our tax-exempt securities portfolio. During the nine months ended September 30, 2009, we recognized other-than-temporary impairments of $47 million.

Other income, net of losses, decreased $48 million and increased $550 million for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decrease for the three months ended September 30, 2010, was primarily due to net derivative activity. Both periods in 2010 were favorably impacted by the absence of loan origination income deferral in 2010 due to the fair value option election for our held-for-sale loans during the fourth quarter of 2009. Additionally, the nine months ended September 30, 2010, increased due to significant impairments recognized in 2009. In 2009, we recorded impairments on equity investments, lot option projects, and model homes and an $87 million fair value impairment upon the transfer of our resort finance portfolio from held-for-sale to held-for-investment. Also in 2010, we recognized gains on the sale of foreclosed real estate compared to losses and impairments in 2009.

The provision for loan losses was $9 million and $375 million for the three months and nine months ended September 30, 2010, respectively, compared to $680 million and $2.5 billion for the same periods in 2009. The provision for both periods in 2010 was favorably impacted by 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 for loan losses in 2009 was impacted by significant specific reserve increases in the resort finance portfolio while 2010 benefited from the recognition of a $69 million recovery through provision upon the sale of this portfolio in September 2010.

Insurance losses and loss adjustment expenses decreased 10% and 17% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily driven by lower loss experience within our Mortgage operation’s captive reinsurance portfolio.

Other operating expenses decreased 22% and 15% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009, reflecting our continued expense reduction efforts. The improvements were primarily due to lower mortgage representation and warranty expenses of $163 million and $427 million, reduced professional service expenses of $40 million and $126 million, lower full-service leasing vehicle maintenance costs of $21 million and $49 million, lower insurance commissions of $20 million and $37 million, and lower technology and communications expense of $15 million and $44 million for the three and nine months ended September 30, 2010, respectively. The favorable impacts during the nine months ended September 30, 2010, were partially offset by increased restructuring expenses of $52 million primarily related to a corporate-wide cost savings initiative.

We recognized consolidated income tax expense from continuing operations of $48 million and $117 million for the three months and nine months ended September 30, 2010, respectively, compared to an income tax benefit of $291 million and income tax expense of $681 million for the same periods in 2009. During 2010, income tax expense primarily included foreign taxes on our foreign subsidiary income as the tax on the current year earnings of our U.S. operations was offset fully by a corresponding valuation allowance reduction. During 2009, we recorded tax benefits on pretax losses for the three months ended September 30, 2009, and higher tax expense during the nine months ended September 30, 2009, related to the establishment of deferred tax liabilities related to our conversion from a limited liability company to a corporation effective June 30, 2009. Refer to Note 17 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.

Global Automotive Services

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

Our Global Automotive Services operations offer a wide range of financial services and insurance products to retail automotive consumers, automotive dealerships, and other commercial businesses. Our automotive finance services include purchasing retail installment sales contracts and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, and vehicle remarketing services. We also are a leading provider of vehicle service contracts with mechanical breakdown and maintenance coverages, and we provide commercial insurance primarily covering dealers’ wholesale vehicle inventory.

North American Automotive Finance Operations

Results of Operations

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

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2010**	2009	**Favorable/ (unfavorable) % change**	**2010**	2009	**Favorable/ (unfavorable) % change**
Net financing revenue						
Consumer	**$ 604**	$ 447	**35**	**$ 1,710**	$ 1,408	**21**
Commercial	**353**	281	**26**	**1,039**	802	**30**
Loans held-for-sale	**14**	82	**(83)**	**112**	204	**(45)**
Operating leases	**810**	1,309	**(38)**	**2,863**	4,260	**(33)**
Interest and dividend income	**29**	63	**(54)**	**124**	200	**(38)**
Total financing revenue and other interest income	**1,810**	2,182	**(17)**	**5,848**	6,874	**(15)**
Interest expense	**563**	556	**(1)**	**1,706**	1,701	**—**
Depreciation expense on operating lease assets	**430**	842	**49**	**1,523**	2,799	**46**
Net financing revenue	**817**	784	**4**	**2,619**	2,374	**10**
Other revenue						
Servicing fees	**60**	57	**5**	**175**	182	**(4)**
Gain (loss) on automotive loans, net	**23**	(13)	**n/m**	**202**	138	**46**
Other income	**61**	34	**79**	**156**	207	**(25)**
Total other revenue	**144**	78	**85**	**533**	527	**1**
Total net revenue	**961**	862	**11**	**3,152**	2,901	**9**
Provision for loan losses	**60**	123	**51**	**267**	272	**2**
Noninterest expense	**333**	467	**29**	**1,034**	1,245	**17**
Income before income tax expense (benefit)	**568**	272	**109**	**1,851**	1,384	**34**
Income tax expense (benefit)	**161**	(27)	**n/m**	**594**	989	**40**
Net income	**$ 407**	$ 299	**36**	**$ 1,257**	$ 395	**n/m**
Total assets	**$77,295**	$67,070	**15**	**$77,295**	$67,070	**15**

n/m = not meaningful

Our North American Automotive Finance operations earned net income of $407 million and $1.3 billion for the three months and nine months ended September 30, 2010, respectively, compared to $299 million and $395 million for the three months and nine months ended September 30, 2009, respectively. Results for the three months and nine months ended September 30, 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 and higher remarketing volumes. Additionally, during the nine months ended September 30, 2010, income tax expense decreased primarily related to our conversion from a limited liability company to a corporation effective June 30, 2009.

Total financing revenue and other interest income decreased 17% and 15% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily related to a decline in operating lease revenue. Operating lease revenue (along with the related depreciation expense) decreased in both periods 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 credit market dislocation and 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 re-entered the leasing market with more targeted lease product offerings. As a result, runoff of the legacy portfolio exceeded new origination volume. The decreases in operating lease revenue were largely offset by associated declines in depreciation expense, which were 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 17% and 13% during the three months and nine months ended September 30, 2010, respectively, due to an increase in consumer asset levels primarily related to the consolidation of consumer loans that were previously classified as off-balance sheet securitization transactions. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information regarding the consolidation of these assets. Additionally, consumer loan origination volume increased during both periods as a result of improved economic conditions and increased volume from non-GM channels. The increases were 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 26% and 30%, compared to the three months and nine months ended September 30, 2009, respectively, primarily due to increases in the commercial loan balance driven by the growth of non-GM wholesale floorplan business and the recognition of all wholesale funding transactions as on-balance sheet in 2010, compared to certain transactions that were off-balance sheet in 2009. Interest and dividend income decreased 54% and 38% for the three months and nine months ended September 30, 2010, respectively, primarily due to a change in funding mix including lower levels of off-balance sheet securitizations.

Net gain on automotive loans was $23 million and $202 million for the three and nine months ended September 30, 2010, respectively, compared to a net loss of $13 million and a net gain of $138 million for the same periods in 2009. The increases during both periods were related to unfavorable valuation adjustments taken during 2009 on the held-for-sale portfolio. Additionally, the nine months ended September 30, 2010, was favorably impacted by higher levels of retail whole-loan sales. These increases were 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 increased 79% and decreased 25% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The increase during the three-month period ended was primarily due to favorable swap mark-to-market activity related to the held-for-sale loan portfolio. The decrease during the nine-month period ended was primarily due to favorable foreign currency movements in 2009 and unfavorable swap mark-to-market activity related to the held-for-sale loan portfolio in 2010.

The provision for loan losses was $60 million and $267 million for the three months and nine months ended September 30, 2010, respectively, compared to $123 million and $272 million for the same periods in 2009. The decreases for the three months and nine month ended September 30, 2010, were primarily due to 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 2010 originations.

Noninterest expense decreased 29% and 17% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were due primarily to lower non-income tax expense, lower compensation and benefits expense due primarily to lower employee headcount resulting from restructuring activities, and unfavorable foreign currency movements during the three months and nine months ended September 30, 2009.

Our North American Automotive Finance operations incurred income tax expense of $161 million and $594 million for the three months and nine months ended September 30, 2010, respectively, compared to an income tax benefit of $27 million and income tax expense of $989 million for the three months and nine months ended September 30, 2009, respectively. The increase during the three months ended September 30, 2010, was primarily due to higher pretax income. Additionally, during the three months ended September 30, 2009, we recorded favorable adjustments related to our conversion to a corporation, which did not recur in 2010. The decrease in tax expense during the nine months ended September 30, 2010, was primarily related to the establishment of deferred tax liabilities related to our conversion from a limited liability company to a corporation effective June 30, 2009. Refer to Note 17 to the Condensed Consolidated Financial Statements for additional information regarding our change in tax status.

During 2007, the Company recorded a noncash charge of $89 million to establish an accounting valuation allowance against deferred tax assets of a Canadian subsidiary. The valuation allowance was recorded based on the subsidiary’s losses before income taxes in 2007 and prior. Since that time, earnings performance in our Canadian subsidiary has improved and, if current earnings performance continues to remain favorable, it is reasonably possible that we will reverse this valuation allowance.

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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.

	Three months ended September 30,			Nine months ended September 30,		
($ in millions)	**2010**	2009	**Favorable/ (unfavorable) % change**	**2010**	2009	**Favorable/ (unfavorable) % change**
Net financing revenue						
Consumer	**$ 267**	$ 337	**(21)**	**$ 818**	$ 1,027	**(20)**
Commercial	**93**	115	**(19)**	**286**	375	**(24)**
Loans held-for-sale	**3**	1	**n/m**	**12**	1	**n/m**
Operating leases	**44**	76	**(42)**	**162**	230	**(30)**
Interest and dividend income	**27**	17	**59**	**43**	47	**(9)**
Total financing revenue and other interest income	**434**	546	**(21)**	**1,321**	1,680	**(21)**
Interest expense	**234**	298	**21**	**677**	948	**29**
Depreciation expense on operating lease assets	**24**	51	**53**	**112**	207	**46**
Net financing revenue	**176**	197	**(11)**	**532**	525	**1**
Other revenue						
Gain (loss) on automotive loans, net	**5**	(20)	**125**	**15**	(22)	**168**
Other income	**72**	99	**(27)**	**241**	264	**(9)**
Total other revenue	**77**	79	**(3)**	**256**	242	**6**
Total net revenue	**253**	276	**(8)**	**788**	767	**3**
Provision for loan losses	**(5)**	32	**116**	**29**	141	**79**
Noninterest expense	**184**	213	**14**	**538**	602	**11**
Income from continuing operations before income tax expense	**74**	31	**139**	**221**	24	**n/m**
Income tax expense from continuing operations	**9**	28	**68**	**—**	166	**100**
Net income (loss) from continuing operations	**$ 65**	$ 3	**n/m**	**$ 221**	$ (142)	**n/m**
Total assets	**$17,500**	$24,118	**(27)**	**$17,500**	$24,118	**(27)**

n/m = not meaningful

Our International Automotive Finance operations earned net income from continuing operations of $65 million and $221 million during the three months and nine months ended September 30, 2010, respectively, compared to net income from continuing operations of $3 million and a net loss from continuing operations of $142 million during the three months and nine months ended September 30, 2009, respectively. Results for the three months and nine months ended September 30, 2010, were favorably impacted by lower provision for loan losses due to improved credit performance and the sale or liquidation of wind-down operations in certain countries. Additionally, the nine months ended September 30, 2010, were favorably impacted by lower income tax expense due to our conversion from a limited liability company to a corporation effective June 30, 2009.

Total financing revenue and other interest income decreased 21% for both the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to decreases in consumer and commercial asset levels as the result of lower dealer inventory levels and the runoff of wind-down portfolios.

Interest expense decreased 21% and 29% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to reductions in borrowing levels consistent with a lower asset base.

Depreciation expense on operating lease assets decreased 53% and 46% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to the continued runoff of the full-service leasing portfolio.

Net gain on automotive loans was $5 million and $15 million for the three months and nine months ended September 30, 2010, respectively, compared to net losses of $20 million and $22 million for the three and nine months ended September 30, 2009, respectively. The losses for the three months and nine months ended September 30, 2009, were due primarily to lower-of-cost or market adjustments to reduce the value of certain loans held-for-sale in certain wind-down operations. The gains for the three months and nine months ended September 30, 2010, were primarily due to the partial release of lower-of-cost or market adjustments on loans held-for-sale in wind-down operations.

Other income decreased 27% and 9% for the three months and nine months ended September 30, 2010, compared to the same periods in 2009. The decrease for the three months ended September 30, 2010, was primarily related to unfavorable mark-to-market adjustments on derivatives and a reduction in full-service leasing fees resulting from the wind-down of the related operations.

The provision for loan losses decreased $37 million and $112 million for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to improved delinquency and charge-off trends in the consumer portfolio and reduced asset levels due to the wind-down of operations in nonstrategic countries.

Noninterest expense decreased 14% and 11% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases in both periods were primarily due to lower compensation and benefits expense driven by employee headcount reductions and decreases in full-service leasing expenses.

Income tax expense from continuing operations decreased $19 million and $166 million for the three months and nine months ended September 30, 2010, compared to the same periods in 2009. The decrease for the nine months ended September 30, 2010, was primarily due to a favorable adjustment for U.S. tax liabilities on unremitted foreign income, compared to the same period in 2009, which included an unfavorable adjustment related to the impact of our conversion from a limited liability company to a corporation as of June 30, 2009.

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Automotive Financing Volume

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

Three months ended September 30, *(units in thousands)*	Ally consumer automotive financing volume		% Share of consumer sales	
	2010	2009	**2010**	2009
GM new vehicles				
North America				
Retail contracts	**148**	159		
Leases	**23**	1		
Total North America	**171**	160	**37**	32
International (retail contracts and leases) (a) (b)	**111**	91	**19**	17
Total GM new units financed	**282**	251		
Used units financed	**74**	46		
Non-GM new units financed				
Chrysler new units financed	**100**	25	**42**	12
Other non-GM units financed (c)	**35**	14		
Total non-GM new units financed	**135**	39		
Total consumer automotive financing volume	**491**	336		

(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 a joint venture in China in which Ally owns a minority interest. The three months ended September 30, 2010 and 2009, include 30 thousand and 22 thousand vehicles, respectively.
(c) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The three months ended September 30, 2010 and 2009, include 24 thousand and 10 thousand vehicles, respectively.

Nine months ended September 30, *(units in thousands)*	Ally consumer automotive financing volume		% Share of consumer sales	
	2010	2009	**2010**	2009
GM new vehicles				
North America				
Retail contracts	**406**	349		
Leases	**57**	1		
Total North America	**463**	350	**36**	26
International (retail contracts and leases) (a) (b)	**287**	257	**17**	17
Total GM new units financed	**750**	607		
Used units financed	**214**	108		
Non-GM new units financed				
Chrysler new units financed	**253**	33	**41**	5
Other non-GM units financed (c)	**79**	29		
Total non-GM new units financed	**332**	62		
Total consumer automotive financing volume	**1,296**	777		

(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 a joint venture in China in which Ally owns a minority interest. The nine months ended September 30, 2010 and 2009, include 77 thousand and 49 thousand vehicles, respectively.
(c) Includes vehicles financed through a joint venture in China in which Ally owns a minority interest. The nine months ended September 30, 2010 and 2009, include 54 thousand and 20 thousand vehicles, respectively.

Our consumer automotive financing volume and penetration levels are influenced by the nature, timing, and extent of manufacturers' use of rate, residual, and other financing incentives for marketing purposes on consumer retail automotive contracts and leases. Financing volume was higher in 2010 reflecting improved general economic conditions compared to historically low industry sales and leases in 2009, and the addition of the Chrysler retail activity. GM penetration levels were higher in 2010 due to tighter underwriting standards in 2009 as we aligned our originations to levels consistent with reduced funding sources as a result of the disruption in the capital markets.

Retail and lease contracts acquired by us that included rate and residual subvention from GM, payable directly or indirectly to GM dealers as a percentage of total new GM retail and lease contracts acquired, were as follows.

Nine months ended September 30,	**2010**	2009
GM and affiliates subvented contracts acquired		
North American operations	**53%**	68%
International operations (a)	**41%**	60%

(a) Represents subvention for continuing operations only.

Retail contracts acquired that included rate and residual subvention from GM decreased as a percentage of total new retail contracts acquired due to reductions in our standard rates to be more competitive with market pricing, coupled with a reduction in incentivized programs offered by GM.

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

	Average balance		**% Share of dealer inventory**	
Three months ended September 30, *($ in millions)*	**2010**	2009	**2010**	2009
GM new vehicles				
North America (a)	**$14,913**	$13,551	**85**	88
International (b) (c) (d)	**3,875**	3,274	**74**	87
Total GM vehicles financed	**18,788**	16,825		
Used vehicles financed	**3,486**	2,623		
Non-GM vehicles financed				
Chrysler new vehicles financed (a)	**5,773**	1,721	**74**	35
Other non-GM vehicles financed	**2,099**	2,015		
Total non-GM vehicles financed	**7,872**	3,736		
Total commercial wholesale finance receivables	**$30,146**	$23,184		

(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 $1.2 billion and $680 million during the three months ended September 30, 2010 and 2009, respectively, of vehicles financed through a joint venture in China in which Ally owns a minority interest.

Nine months ended September 30, *($ in millions)*	Average balance		% Share of dealer inventory	
	2010	2009	**2010**	2009
GM new vehicles				
North America (a)	**$14,328**	$18,058	**87**	85
International (b) (c) (d)	**3,481**	3,440	**76**	89
Total GM vehicles financed	**17,809**	21,498		
Used vehicles financed	**3,414**	2,675		
Non-GM vehicles financed				
Chrysler new vehicles financed	**5,576**	928	**76**	13
Other non-GM vehicles financed	**2,217**	2,174		
Total non-GM vehicles financed	**7,793**	3,102		
Total commercial wholesale finance receivables	**$29,016**	$27,275		

(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 $1.1 billion and $584 million during the nine months ended September 30, 2010 and 2009, respectively, of vehicles financed through a joint venture in China in which Ally owns a minority interest.

Our commercial wholesale finance receivable products continue to be the primary funding sources for GM and Chrysler dealers. Average total commercial wholesale finance receivables increased to $30.1 billion and $29.0 billion during the three months and nine months ended September 30, 2010, respectively, from $23.2 billion and $27.3 billion during the three months and nine months ended September 30, 2009, respectively. The increase was driven primarily by increasing vehicle sales and the addition of Chrysler wholesale financing.

Insurance Operations

Results of Operations

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

	Three months ended September 30,			Nine months ended September 30,		
			Favorable/ (unfavorable)			Favorable/ (unfavorable)
($ in millions)	**2010**	2009	**% change**	**2010**	2009	**% change**
Insurance premiums and other income						
Insurance premiums and service revenue earned	**$ 462**	$ 500	**(8)**	**$1,391**	$ 1,467	**(5)**
Investment income	**89**	87	**2**	**316**	180	**76**
Other income	**16**	20	**(20)**	**54**	56	**(4)**
Total insurance premiums and other income	**567**	607	**(7)**	**1,761**	1,703	**3**
Expense						
Insurance losses and loss adjustment expenses	**218**	219	**—**	**638**	663	**4**
Acquisition and underwriting expense	**235**	279	**16**	**718**	796	**10**
Total expense	**453**	498	**9**	**1,356**	1,459	**7**
Income from continuing operations before income tax expense	**114**	109	**5**	**405**	244	**66**
Income tax expense from continuing operations	**17**	59	**71**	**100**	93	**(8)**
Net income from continuing operations	**$ 97**	$ 50	**94**	**$ 305**	$ 151	**102**
Total assets	**$8,796**	$11,660	**(25)**	**$8,796**	$11,660	**(25)**
Insurance premiums and service revenue written	**$ 404**	$ 391	**3**	**$1,242**	$ 1,092	**14**
Combined ratio (a)	**94.9%**	96.0%		**94.1%**	96.0%	

(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 net income from continuing operations of $97 million and $305 million for the three months and nine months ended September 30, 2010, respectively, compared to $50 million and $151 million for the three months and nine months ended September 30, 2009, respectively. The increase in the three-month period net income was primarily attributable to unfavorable tax expense in 2009 that did not recur. During the nine-month period, net income increased primarily due to higher realized investment gains driven by overall market improvement.

Insurance premiums and service revenue earned was $462 million and $1.4 billion for the three months and nine months ended September 30, 2010, respectively, compared to $500 million and $1.5 billion for the same periods 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 during the period 2007 to 2009. The decrease for the nine months ended September 30, 2010, was partially offset by increased volume in our international operations.

Investment income totaled $89 million and $316 million for the three months and nine months ended September 30, 2010, respectively, compared to $87 million and $180 million for the same periods in 2009. The increase during the nine months ended September 30, 2010, was primarily due to higher realized investment gains driven by market repositioning and the sale of our tax-exempt securities portfolio. During the nine months ended September 30, 2009, we realized other-than-temporary impairments of $45 million. The increase in investment income was also slightly offset by reductions in the size of the investment portfolio. The fair value of the investment portfolio was $4.7 billion and $5.2 billion at September 30, 2010 and 2009, respectively.

Acquisition and underwriting expense decreased 16% and 10% for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. The decreases were primarily due to lower expenses in our U.S. dealership-related products matching our decrease in earned premiums. The decrease for the nine months ended was partially offset by increased expenses within our international operations to match the increase in earned premiums.

Income tax expense from continuing operations was $17 million and $100 million for the three months and nine months ended September 30, 2010, respectively, compared to $59 million and $93 million for the same periods in 2009. Income tax expense decreased for the three months ended September 30, 2010, due to unfavorable tax expense in 2009 related to the impact of our conversion from a limited liability company to a corporation. During the nine months ended September 30, 2010, income tax expense increased due to higher income from continuing operations before income taxes, partially offset by unfavorable tax expense in 2009 related to our conversion to a corporation effective June 30, 2009.

Insurance premiums and service revenue written was $404 million and $1.2 billion for the three months and nine months ended September 30, 2010, respectively, compared to $391 million and $1.1 billion for the same periods 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 three months and nine months ended September 30, 2010, will be recognized as income in future periods.

Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. Our Mortgage operations include the ResCap LLC legal entity, the mortgage operations of Ally Bank, and the Canadian mortgage operations of ResMor Trust. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended September 30,			Nine months ended September 30,		
			Favorable/ (unfavorable)			Favorable/ (unfavorable)
($ in millions)	**2010**	2009	**% change**	**2010**	2009	**% change**
Net financing revenue						
Total financing revenue and other interest income	**$ 455**	$ 463	**(2)**	**$ 1,393**	$ 1,479	**(6)**
Interest expense	**308**	311	**1**	**910**	1,058	**14**
Net financing revenue	**147**	152	**(3)**	**483**	421	**15**
Servicing fees	**343**	323	**6**	**995**	995	**—**
Servicing asset valuation and hedge activities, net	**(27)**	(110)	**75**	**(181)**	(687)	**74**
Total servicing income, net	**316**	213	**48**	**814**	308	**164**
Gain on mortgage loans, net	**298**	210	**42**	**646**	557	**16**
Gain on extinguishment of debt	**—**	—	**—**	**—**	4	**(100)**
Other income, net of losses	**44**	5	**n/m**	**98**	(469)	**121**
Total other revenue	**658**	428	**54**	**1,558**	400	**n/m**
Total net revenue	**805**	580	**39**	**2,041**	821	**149**
Provision for loan losses	**22**	330	**93**	**121**	1,762	**93**
Noninterest expense	**629**	902	**30**	**1,380**	1,973	**30**
Income (loss) from continuing operations before income tax expense (benefit)	**154**	(652)	**124**	**540**	(2,914)	**119**
Income tax expense (benefit) from continuing operations	**5**	(151)	**(103)**	**11**	(421)	**(103)**
Net income (loss) from continuing operations	**$ 149**	$ (501)	**130**	**$ 529**	$ (2,493)	**121**
Total assets	**$40,963**	$40,773	**—**	**$40,963**	$40,773	**—**

n/m = not meaningful

Our Mortgage operations earned net income from continuing operations of $149 million and $529 million for the three months and nine months ended September 30, 2010, respectively, compared to net losses from continuing operations of $501 million and $2.5 billion for the three months and nine months ended September 30, 2009, respectively. The 2010 results from continuing operations were primarily driven by strong production and margins, consistent servicing fees, favorable servicing asset valuation, net of hedge, and gains on the sale of domestic legacy assets.

Net financing revenue was $147 million and $483 million for the three months and nine months ended September 30, 2010, respectively, compared to $152 million and $421 million for the same periods in 2009. During the nine months ended September, 30, 2010, net financing revenue was favorably impacted by lower interest expense driven primarily by a reduction in average borrowings commensurate with a smaller asset base and lower cost of funds. Additionally, lower financing revenue and other interest income was due primarily to a decline in average asset levels.

Net servicing income was $316 million and $814 million for the three months and nine months ended September 30, 2010, respectively, compared to $213 million and $308 million for the same periods in 2009. The increase for the three months and nine months ended was primarily due to movement of the hedges mitigating the decline in the mortgage servicing asset.

The net gain on mortgage loans was $298 million and $646 million for the three months and nine months ended September 30, 2010, respectively, compared to $210 million and $557 million for the same periods in 2009. The increases were primarily due to gains on whole-loan sales in 2010 compared to no whole-loan sales in 2009, higher gains on loan resolutions in 2010, and higher commitment volume.

Other income, net of losses, was $44 million and $98 million for the three months and nine months ended September 30, 2010, respectively, compared to $5 million and a loss of $469 million for the same periods in 2009. The increases in other income for both periods were 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. During the nine months ended September 30, 2009, we recognized significant impairments on equity investments, lot option projects, and model homes. Additionally, the increase for the nine months ended September 30, 2010, was due to the recognition of gains on the sale of foreclosed real estate in 2010 compared to losses and impairments in 2009.

The provision for loan losses was $22 million and $121 million for the three months and nine months ended September 30, 2010, respectively, compared to $330 million and $1.8 billion for the same periods in 2009. The provision for both periods in 2010 was favorably impacted by the improved asset mix resulting from the strategic actions taken during the fourth quarter of 2009 related to certain legacy mortgage loans. The provision for loan losses for both the three months and nine months ended September 30, 2009, were driven by significant increases in delinquencies and severity in our domestic mortgage loan portfolio. Additionally, during the nine months ended September 30, 2009, higher reserves were recognized against our real estate-lending portfolio.

Total noninterest expense decreased 30% for both the three months ended September 30, 2010, and the nine months ended September 30, 2010, compared to the same periods in 2009. Although we recorded $344 million of representation and warranty expense during the three months ended September 30, 2010, which increased the associated reserve to $1.1 billion, our representation and warranty expense decreased for both the three months and nine months ended September 30, 2010 as compared to the same periods in 2009. Both periods also reflect decreases in compensation and benefits expense related to lower headcount, and decreases 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 was partially offset during the nine months ended September 30, 2010, by unfavorable foreign currency movements on hedge positions.

We recognized income tax expense from continuing operations of $5 million and $11 million for the three months and nine months ended September 30, 2010, respectively, compared to income tax benefits of $151 million and $421 million for the same periods in 2009. The increases in income tax expense for both periods were primarily the result of the reduction in the tax benefit related to losses realized by our domestic C-corporation entities, Ally Bank and CapRe of Vermont, in 2009. Additionally, during the nine months ended September 30, 2009, tax benefits were recognized due to our conversion from a tax partnership to a corporation effective June 30, 2009.

The Federal Housing Finance Agency (FHFA), as conservator of Fannie Mae and Freddie Mac, announced on July 12, 2010, that it issued 64 subpoenas to various entities seeking documents related to private-label mortgage-backed securities in which Fannie Mae and Freddie Mac had invested. Certain of our mortgage subsidiaries received such subpoenas and are currently formulating a response. The FHFA has indicated that documents provided in response to the subpoenas will enable the FHFA to determine whether they believe issuers of PLS are potentially liable to Fannie Mae and Freddie Mac for losses they might have suffered. We believe it is premature to speculate as to what, if any, actions may be taken by the FHFA as a result of these requests.

Temporary Suspension of Mortgage Foreclosure Sales and Evictions

During the three months ended September 30, 2010, a procedural issue was detected resulting in the temporary suspension of mortgage foreclosure home sales and evictions in certain states. Refer to Note 23 to the Condensed Consolidated Financial Statements for additional information related to this matter.

Loan Repurchases and Obligations Related to Loan Sales

Our Mortgage operations sell loans through agency sales to the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac) and Government National Mortgage Association (Ginnie Mae) (collectively the GSEs), private label securitizations and whole-loan purchasers. In connection with these activities we provide to the GSEs, investors, whole-loan purchasers, and financial guarantors (monolines) various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and warranties described above may be enforced at any time over the life of the loan. ResCap assumes all of the customary representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market. In the event ResCap fails to meet these obligations, Ally Financial Inc. has provided a guarantee to Ally Bank that covers it from liability.

Refer to Note 23 to the Condensed Consolidated Financial Statements for additional information related to representation and warranties.

The following table summarizes the unpaid principal balance of mortgage loans repurchased under representation and warranty obligations.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
GSEs	**$ 68**	$ 69	**$ 304**	$ 434
Monolines	**6**	7	**10**	10
Whole-loan investors	**22**	20	**74**	53
Total loan repurchases	**$ 96**	$ 96	**$ 388**	$ 497

The following table summarizes indemnification (make-whole) payments associated with representation and warranty obligations.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
GSE's	**$ 46**	$ 32	**$ 186**	$ 88
Monolines	**3**	7	**9**	14
Whole-loan investors	**2**	5	**11**	18
Total make-whole payments	**$ 51**	$ 44	**$ 206**	$ 120

In March 2010, our subsidiaries, GMACM and Residential Funding Company, LLC, 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 mortgage loans sold to Freddie Mac prior to January 1, 2009. The release does not affect any of our potential repurchase obligations related to mortgage loans sold to Freddie Mac after January 1, 2009. Amounts paid by us in connection with the agreement were consistent with previously established related reserves. This agreement does not release any of our obligations with respect to loans where our subsidiary, Ally Bank, is the owner of the servicing.

The following table presents the unpaid principal balance of loans related to unresolved repurchase demands previously received. Claims and losses are primarily related to the 2006 through 2008 loan vintages.

($ in millions)	September 30, 2010	December 31, 2009
GSEs	**$ 218**	$ 296
Monolines (a)	**632**	559
Other investors	**38**	64
Total unpaid principal balance	**$ 888**	$ 919

(a) A significant portion of monoline unresolved repurchase demands are with one counterparty.

During the three months ended September 30, 2010, we experienced an increase in new claims in comparison with the prior quarter. Going forward we expect that claims activity will remain volatile. The following table presents quarterly total new claims by vintage (original unpaid principal balance).

Three months ended, ($ in millions)	September 30, 2009	December 31, 2009	March 31, 2010	June 30, 2010	**September 30, 2010**
Pre 2004	$ 19	$ 7	$ 13	$ 10	**$ 11**
2005	32	8	17	9	**17**
2006	101	92	82	45	**64**
2007	180	209	157	94	**97**
2008	47	76	108	55	**58**
Post 2008	5	9	9	5	**16**
Unspecified	27	31	6	6	**19**
Total claims	$ 411	$ 432	$ 392	$ 224	**$ 282**

Mortgage Loan Production and Servicing

Mortgage loan production was $20.5 billion and $47.3 billion for the three months and nine months ended September 30, 2010, respectively, compared to $15.9 billion and $48.1 billion for the same periods in 2009. Mortgage operations domestic loan production increased $4.8 billion, or 31%, and decreased $794 million, or 2%, for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. Mortgage operations international loan production decreased $78 million, or 18%, and increased $34 million, or 4%, for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009. International mortgage loan production primarily represents insured mortgages in Canada. All other international loan production has been suspended.

The following table summarizes consumer mortgage loan production for the periods shown.

	Three months ended September 30,		**Nine months ended September 30,**	
($ in millions)	**2010**	2009	**2010**	2009
Production by product type				
1st Mortgage	**$ 20,179**	$ 15,425	**$ 46,307**	$ 47,101
Home equity	**—**	—	**—**	—
Total U.S. production	**20,179**	15,425	**46,307**	47,101
International production	**348**	426	**986**	952
Total production by product type	**$ 20,527**	$ 15,851	**$ 47,293**	$ 48,053
U.S. production by channel				
Retail and direct channels	**$ 2,050**	$ 2,148	**$ 5,478**	$ 6,012
Correspondent channel	**18,129**	13,277	**40,829**	41,089
Total U.S. production by channel	**$ 20,179**	$ 15,425	**$ 46,307**	$ 47,101
Number of U.S. produced loans *(in units)*				
Retail and direct channels	**9,511**	10,985	**26,034**	30,090
Correspondent channel	**77,425**	63,507	**176,926**	191,971
Total number of U.S. produced loans	**86,936**	74,492	**202,960**	222,061

The following table summarizes the primary mortgage loan servicing portfolio.

($ in millions)	September 30, 2010 Number of loans	September 30, 2010 Dollar amount of loans	December 31, 2009 Number of loans	December 31, 2009 Dollar amount of loans
On-balance sheet mortgage loans				
Held-for-sale and held-for-investment	**291,784**	**$ 25,139**	276,996	$ 26,333
Operations held-for-sale	**1,464**	**335**	17,260	3,160
Off-balance sheet mortgage loans				
Loans sold to third-party investors				
Securitizations	**389,329**	**62,404**	489,258	71,505
Whole-loan and agency	**1,629,768**	**265,856**	1,585,281	252,430
Purchased servicing rights	**79,387**	**4,156**	88,516	4,800
Operations held-for-sale	**—**	**—**	82,978	17,526
Total primary mortgage loan servicing portfolio (a)	**2,391,732**	**$ 357,890**	2,540,289	$ 375,754

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled 118,812 with an unpaid principal balance of $25.9 billion at September 30, 2010, and 129,954 with an unpaid balance of $28.7 billion at December 31, 2009.

Loans Outstanding

Mortgage loans held-for-sale were as follows.

($ in millions)	September 30, 2010	December 31, 2009
Prime conforming	**$ 5,837**	$ 3,769
Prime nonconforming	**1,095**	1,221
Prime second-lien	**697**	776
Government	**3,798**	3,915
Nonprime	**720**	978
International	**143**	623
Total (a) (b)	**12,290**	11,282
Net discounts	**(148)**	(319)
Fair value option election adjustment	**120**	19
Lower of cost or fair value adjustment	**(46)**	(115)
Total, net (a)	**$ 12,216**	$ 10,867

(a) Includes loans subject to conditional repurchase options of $2.3 billion and $1.7 billion sold to Ginnie Mae guaranteed securitizations and $148 million and $237 million sold to off-balance sheet securitization trusts at September 30, 2010, and December 31, 2009, respectively. The net carrying value of these loans is equal to the unpaid principal balance.
(b) Includes unpaid principal balance write-downs of $2.2 billion and $3.6 billion at September 30, 2010, and December 31, 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 180-day charge-off policy.

Held-for-investment consumer mortgage finance receivables and loans were as follows.

($ in millions)	September 30, 2010	December 31, 2009
Prime conforming	$ 340	$ 386
Prime nonconforming	8,891	8,248
Prime second-lien	3,385	3,201
Government	—	—
Nonprime	6,030	6,055
International	1,023	325
Total	19,669	18,215
Net premiums	25	100
Fair value option election adjustment	(5,685)	(5,789)
Allowance for loan losses	(600)	(640)
Total, net (a) (b)	$ 13,409	$ 11,886

(a) At September 30, 2010, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $3.1 billion. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral.

(b) Refer to the Higher Risk Mortgage Loans discussion within the MD&A *Risk Management* section for additional information.

ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* , which amended Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing* , and ASC Topic 810, *Consolidation* , 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 in $1.2 billion in off-balance sheet consumer mortgage loans being brought on-balance sheet. Refer to Note 1 to the Condensed Consolidated Financial Statements for further information regarding the adoption of ASU 2009-16 and ASU 2009-17.

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other represents our Commercial Finance Group, certain equity investments, other corporate activities, the residual impacts of our corporate funds transfer pricing (FTP) and treasury asset liability management (ALM) activities, and reclassifications and eliminations between the reportable operating segments.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Favorable/ (unfavorable) % change	Nine months ended September 30, 2010	Nine months ended September 30, 2009	Favorable/ (unfavorable) % change
Net financing loss						
Total financing revenue and other interest income	**$ 83**	$ 26	**n/m**	**$ 239**	$ 100	**139**
Interest expense	**628**	584	**(8)**	**1,810**	1,978	**8**
Net financing loss	**(545)**	(558)	**2**	**(1,571)**	(1,878)	**16**
Other (expense) revenue						
(Loss) gain on extinguishment of debt	**(2)**	10	**(120)**	**(123)**	663	**(119)**
Other gain on investments, net	**15**	135	**(89)**	**18**	184	**(90)**
Other income, net of losses	**(3)**	74	**(104)**	**(61)**	(191)	**68**
Total other revenue (expense)	**10**	219	**(95)**	**(166)**	656	**(125)**
Total net expense	**(535)**	(339)	**(58)**	**(1,737)**	(1,222)	**(42)**
Provision for loan losses	**(68)**	195	**135**	**(42)**	368	**111**
Noninterest expense	**117**	86	**(36)**	**369**	268	**(38)**
Loss from continuing operations before income tax benefit	**(584)**	(620)	**6**	**(2,064)**	(1,858)	**(11)**
Income tax benefit from continuing operations	**(144)**	(200)	**(28)**	**(588)**	(146)	**n/m**
Net loss from continuing operations	**$ (440)**	$ (420)	**(5)**	**$ (1,476)**	$ (1,712)	**14**
Total assets	**$28,637**	$34,633	**(17)**	**$28,637**	$34,633	**(17)**

n/m = not meaningful

Net loss from continuing operations for Corporate and Other was $440 million and $1.5 billion for the three months and nine months ended September 30, 2010, respectively, compared to $420 million and $1.7 billion for the three months and nine months ended September 30, 2009, respectively. Corporate and Other's net loss from continuing operations for all periods is primarily due to net financing losses, which primarily represent 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 unfavorable results for both periods were driven by net derivative activity and higher compensation and benefits expenses related to the build out and centralization of global functions. Additionally, the nine months ended September 30, 2010, was impacted by 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 $663 million gain in the prior year. At the corporate level, the nine months ended September 30, 2010, were favorably impacted by our conversion from a limited liability company to a corporation as of June 30, 2009.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned net income from continuing operations of $75 million and $101 million for the three months and nine months ended September 30, 2010, respectively, compared to net losses from continuing operations of $128 million and $315 million for the three months and nine months ended September 30, 2009, respectively. The increases in net income for both periods were primarily due to significant provision for loan loss reserves on the resort finance portfolio in 2009. During the three months ended September 30, 2010, we sold the resort finance portfolio and realized a gain on sale through a $69 million recovery through provision. Additionally, the favorable variance for the nine months ended September 30, 2010, 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, a decrease in specific reserves on clients within our European operations, and lower interest expense related to a reduction in borrowing levels consistent with a lower asset base. Partially offsetting the increases in both periods was higher income tax expense related to higher pretax income.

Risk Management

Managing the risk-to-reward trade off is a fundamental component of operating our business. Through our risk management process, we 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. For more information on our risk management process, refer to the Risk Management MD&A section of our 2009 Annual Report on Form 10-K.

Loan and Lease Exposure

The following table summarizes the gross carrying value of our loan and lease exposures.

($ in millions)	**September 30, 2010**	December 31, 2009
Held-for-investment loans	**$ 98,718**	$ 77,701
Held-for-sale loans	**13,265**	20,625
Total on-balance sheet loans	**$ 111,983**	$ 98,326
Off-balance sheet securitized loans	**$ 72,840**	$ 107,158
Operating lease assets, net	**$ 10,213**	$ 15,995
Serviced loans and leases	**$ 470,744**	$ 491,326

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 our automotive loans as they complement our core business model. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we underwrite. Loans that we do not intend to retain are sold to investors, such as U.S. agencies and sponsored entities. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure.

Credit Risk Management

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 continued stabilization in some housing and vehicle markets; however, we anticipate the uncertainty will continue through at least the remainder of 2010.

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. 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 automotive financing volume through Nuvell, a legacy nonprime automotive financing operation.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For example, as part of our participation in certain governmental programs, we may offer mortgage loan restructurings 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 in our 2009 Annual Report on Form 10-K 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.

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 including identification of relevant trends that affect the collectability of the portfolios, isolation of segments of the portfolios that are potential problem areas, identification of loans 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 automotive, residential real estate, commercial real estate, and commercial lending. We classify these loans as either consumer or commercial and analyze credit risk in each as described below. 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, syndications, and/or third-party insurance.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both held-for-investment and held-for-sale finance receivables and loans. At September 30, 2010, this primarily included $81.0 billion of automotive finance receivables and loans and $28.5 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we have elected to account for certain loans at fair value. The valuation allowance recorded on fair value elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Income.

During the three months ended September 30, 2010, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations in both our international mortgage and automotive markets. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information on specific actions taken during the quarter. 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 results 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, mainly in our international segments. Within our automotive 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 credit portfolio continues to be affected by sustained levels of high unemployment and continued housing weakness.

On January 1, 2010, we adopted ASU 2009-16 and ASU 2009-17, which resulted in approximately $18.3 billion of off-balance sheet loans being consolidated on-balance sheet. This included $7.2 billion of consumer automobile loans classified as held-for-investment and 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 products and included $9.9 billion classified as operations held-for-sale (refer to Note 2 to the Condensed Consolidated Financial Statements for additional information) and $1.2 billion classified as held-for-investment and 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 gross carrying value.

	Outstanding		Nonperforming (a) (b)		Accruing past due 90 days or more (c)	
($ in millions)	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
Consumer						
Loans held-for-investment						
Loans at historical cost	**$ 57,237**	$ 41,458	**$ 807**	$ 816	**$ 4**	$ 7
Loans at fair value	**2,948**	1,391	**757**	499	**—**	—
Total loans held-for-investment (d)	**60,185**	42,849	**1,564**	1,315	**4**	7
Loans held-for-sale	**13,265**	20,468	**3,334**	3,390	**40**	33
Total consumer loans	**73,450**	63,317	**4,898**	4,705	**44**	40
Commercial						
Loans held-for-investment						
Loans at historical cost	**38,533**	34,852	**785**	1,883	**—**	3
Loans at fair value	**—**	—	**—**	—	**—**	—
Total loans held-for-investment (d)	**38,533**	34,852	**785**	1,883	**—**	3
Loans held-for-sale	**—**	157	**—**	—	**—**	—
Total commercial loans	**38,533**	35,009	**785**	1,883	**—**	3
Total on-balance sheet loans	**$ 111,983**	$ 98,326	**$ 5,683**	$ 6,588	**$ 44**	$ 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 in our 2009 Annual Report on Form 10-K for additional information.
(b) Includes nonaccrual troubled debt restructured loans of $1.0 billion and $1.0 billion at September 30, 2010, and December 31, 2009, respectively.
(c) Includes troubled debt restructured loans classified as 90 days past due and still accruing of $25 million and $0 million at September 30, 2010, and December 31, 2009, respectively.
(d) At September 30, 2010, and December 31, 2009, we did not have any conditional repurchase option loans outstanding .

Total on-balance sheet loans outstanding at September 30, 2010, increased $13.7 billion to $112.0 billion from December 31, 2009, reflecting an increase of $10.1 billion in the consumer portfolio and $3.5 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding from December 31, 2009, was the result of the impact of adopting ASU 2009-16 and ASU 2009-17, increased automotive originations due to strengthened industry sales and improved automotive manufacturer penetration, and increased retention of originated automotive loans. The increase was partially offset by automotive whole-loan sales.

The total TDRs outstanding at September 30, 2010, increased $799 million to $1.8 billion from December 31, 2009. 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 HARP and HAMP, as well as internally developed modification programs.

Total nonperforming loans at September 30, 2010, decreased $905 million to $5.7 billion from December 31, 2009, reflecting a decrease of $1.1 billion of commercial nonperforming loans, offset somewhat by an increase of $193 million of consumer nonperforming loans. The decrease in total 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 2009-16 and ASU 2009-17, continued housing weakness, and seasoning of 1 st mortgage loans remaining within our portfolio.

The following table includes held-for-investment consumer and commercial net charge-offs for loans at historical cost and related ratios reported at gross carrying value.

	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
($ in millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Consumer								
Loans held-for-investment at historical cost (b)	**$204**	$ 758	**1.5%**	5.7%	**$ 641**	$ 2,474	**1.6%**	6.0%
Commercial								
Loans held-for-investment at historical cost	**130**	276	**1.4**	3.3	**318**	755	**1.2**	2.8
Total held-for-investment at historical cost	**$334**	$1,034	**1.4%**	4.8%	**$ 959**	$ 3,229	**1.4%**	4.7%

(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, conditional repurchase option loans, and loans held-for-sale during the year for each loan category.
(b) Includes $9 million and $31 million of net charge-offs on past due operating lease payments for the three months and nine months ended September 30, 2010, respectively.

Our net charge-offs were $334 million and $959 million for the three months and nine months ended September 30, 2010, respectively, compared to $1.0 billion and $3.2 billion for the three months and nine months ended September 30, 2009, respectively. This decline was driven primarily by portfolio composition changes as a result of strategic actions during the fourth quarter of 2009 including the write-down and reclassification of certain legacy mortgage loans and improvement in 2010 in our Nuvell portfolio, partially offset by charge-offs taken on our resort finance portfolio recorded prior to its sale. Loans held-for-sale are accounted for at the lower of cost or fair value, and therefore we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial credit loans held-for-investment. Loans held-for-investment are recorded at historical cost and may have an associated allowance for loan losses. Held-for-investment loans measured at fair value and conditional repurchase option loans were excluded from these discussions since those exposures do not carry an allowance. Additionally, the reclassification of certain legacy mortgage loans in the fourth quarter of 2009 substantially changed the composition of our held-for-investment consumer mortgage loan portfolio when comparing the three months and nine months ended September 30, 2010, to the same periods in 2009.

Consumer Credit Portfolio

During the three months and nine months ended September 30, 2010, the credit performance of the consumer portfolio continued to improve overall as nonperforming loans and charge-offs declined. The slight decline in nonperforming loans was primarily driven by improvement in our Nuvell portfolio due to enhanced collection efforts and some seasonality. 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.

For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

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The following table includes held-for-investment consumer finance receivables and loans recorded at historical cost reported at gross carrying value.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
Domestic						
Automobile	**$ 29,888**	$ 12,514	**$ 121**	$ 267	**$ —**	$ —
1st Mortgage	**7,168**	6,921	**416**	326	**1**	1
Home equity						
1st lien	**1,663**	1,718	**5**	10	**—**	—
2nd lien	**1,897**	2,168	**67**	61	**—**	—
Total domestic	**40,616**	23,321	**609**	664	**1**	1
Foreign						
Automobile	**16,206**	17,731	**80**	119	**3**	5
1st Mortgage	**415**	405	**118**	33	**—**	1
Home equity						
1st lien	**—**	—	**—**	—	**—**	—
2nd lien	**—**	1	**—**	—	**—**	—
Total foreign	**16,621**	18,137	**198**	152	**3**	6
Total consumer finance receivables and loans	**$ 57,237**	$ 41,458	**$ 807**	$ 816	**$ 4**	$ 7

(a) Includes nonaccrual troubled debt restructured loans of $232 million and $263 million at September 30, 2010, and December 31, 2009, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2010, and December 31, 2009.

Total consumer outstanding finance receivables and loans increased $15.8 billion at September 30, 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 2009-16 and ASU 2009-17, increased originations due to strengthened industry sales and improved automotive manufacturer penetration (primarily Chrysler), and increased retention of automotive originated loans. The decrease in foreign automotive outstandings was driven by continued exit and liquidations in nonstrategic countries and overall contracting markets in Europe.

Total consumer nonperforming loans at September 30, 2010, decreased $9 million to $807 million from December 31, 2009, reflecting a decrease of $185 million of consumer automotive nonperforming loans and an increase of $176 million of consumer mortgage nonperforming loans. Nonperforming consumer automotive 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 automotive nonaccrual policies. Nonperforming consumer mortgage loans increased due to seasoning of the 1st 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 1.4% and 2.0% at September 30, 2010, and December 31, 2009, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $26 million to $808 million at September 30, 2010, compared with December 31, 2009, primarily due to a decrease in delinquencies in our Nuvell portfolio resulting from enhanced collection efforts and increased quality of newer vintages.

The following table includes held-for-investment consumer net charge-offs and related ratios reported at gross carrying value.

($ in millions)	Three months ended September 30, Net charge-offs 2010	Three months ended September 30, Net charge-offs 2009	Three months ended September 30, Net charge-off ratios (a) 2010	Three months ended September 30, Net charge-off ratios (a) 2009	Nine months ended September 30, Net charge-offs 2010	Nine months ended September 30, Net charge-offs 2009	Nine months ended September 30, Net charge-off ratios (a) 2010	Nine months ended September 30, Net charge-off ratios (a) 2009
Domestic								
Automobile (b)	**$ 114**	$ 231	**1.6%**	6.7%	**$ 374**	$ 603	**2.0%**	5.8%
1st Mortgage	**37**	293	**2.1**	11.2	**100**	809	**1.9**	9.8
Home equity								
1st lien	**9**	2	**2.1**	0.4	**14**	6	**1.1**	0.4
2nd lien	**17**	94	**3.6**	8.0	**50**	332	**3.3**	9.0
Total domestic	**177**	620	**1.8**	8.1	**538**	1,750	**2.0**	7.4
Foreign								
Automobile	**26**	118	**0.7**	2.4	**100**	221	**0.8**	1.5
1st Mortgage	**1**	20	**1.1**	2.1	**3**	503	**0.8**	16.2
Home equity								
1st lien	**—**	—	**—**	—	**—**	—	**—**	—
2nd lien	**—**	—	**—**	—	**—**	—	**—**	—
Total foreign	**27**	138	**0.7**	2.4	**103**	724	**0.8**	4.0
Total consumer finance receivables and loans	**$ 204**	$ 758	**1.5%**	5.7%	**$ 641**	$ 2,474	**1.6%**	6.0%

(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, conditional repurchase option loans, and loans held-for-sale during the year for each loan category.

(b) Includes $9 million and $31 million of net charge-offs on past due operating lease payments for the three months and nine months ended September 30, 2010, respectively.

Our net charge-offs from total consumer automobile loans decreased $209 million and $350 million for the three months and nine months ended September 30, 2010, compared to the same periods in 2009. The decrease in net charge-offs was primarily due to one-time charge-offs taken in the third quarter of 2009, as we aligned our internal policies to 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.

Our net charge-offs from total consumer mortgage and home equity loans were $64 million and $167 million for the three months and nine months ended September 30, 2010, respectively, compared to $409 million and $1.7 billion for the same periods in 2009. The significant decreases were driven by portfolio composition changes as a result of strategic actions that included the write-down and reclassification of certain legacy mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009.

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 held-for-investment and held-for-sale during the period.

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Domestic				
Automobile	**$ 7,315**	$ 5,601	**$ 19,785**	$ 12,381
1st Mortgage	**20,179**	15,425	**46,307**	47,101
Home equity	**—**	—	**—**	—
Total domestic	**27,494**	21,026	**66,092**	59,482
Foreign				
Automobile	**2,408**	1,696	**6,316**	4,100
1st Mortgage	**348**	426	**986**	952
Home equity	**—**	—	**—**	—
Total foreign	**2,756**	2,122	**7,302**	5,052
Total consumer loan originations	**$ 30,250**	$ 23,148	**$ 73,394**	$ 64,534

Total domestic automobile-originated loans increased $1.7 billion and $7.4 billion for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009, primarily due to the improved automotive market as well as the addition of Chrysler automotive financing business. Domestic automotive originations continue to reflect tightened underwriting standards and most of these originations for 2010 were retained on-balance sheet as held-for-investment. Driven by improved Canadian automotive sales, total foreign automotive originations increased $712 million and $2.2 billion for the three months and nine months ended September 30, 2010, respectively, compared to the same periods in 2009.

Total domestic mortgage originated loans increased $4.8 billion for the three months ended September 30, 2010 and decreased $794 million for the nine months ended September 30, 2010. The increase for the three months ended September 30, 2010, was due in part to an increase in refinance volumes as a result of lower interest rates. The decrease for the nine months ended September 30, 2010, was due in part to overall industry declines and strategic changes in product offerings including the more conservative focus on the prime lending market.

Consumer loan originations retained on-balance sheet as held-for-investment were $9.9 billion and $24.5 billion for the three months and nine months ended September 30, 2010, respectively, and $3.0 billion and $6.6 billion for the three months and nine months ended September 30, 2009, respectively. The increases during both periods were primarily due to increased automotive loan origination driven by improved industry sales and increased balance sheet retention.

The following table shows held-for-investment consumer finance receivables and loans recorded at historical cost reported at gross carrying value by state and foreign concentration. Total automotive loans were $46.1 billion and $30.2 billion at September 30, 2010, and December 31, 2009, respectively. Total mortgage and home equity loans were $11.1 billion and $11.2 billion at September 30, 2010, and December 31, 2009, respectively.

	September 30, 2010		December 31, 2009	
	Automobile	**1st Mortgage and home equity**	Automobile	1st Mortgage and home equity
California	**4.5%**	**24.4%**	2.7%	23.3%
Texas	**9.1**	**4.0**	7.5	2.9
Florida	**4.1**	**4.1**	2.1	4.4
Michigan	**3.5**	**5.0**	1.4	5.4
New York	**3.3**	**2.5**	2.4	2.9
Illinois	**2.7**	**4.7**	1.9	4.4
Pennsylvania	**3.1**	**1.7**	2.4	1.8
Georgia	**2.4**	**1.8**	1.4	2.0
Ohio	**2.4**	**1.1**	1.6	1.2
Virginia	**1.2**	**5.3**	0.8	5.5
Other United States	**28.5**	**41.6**	17.2	42.6
Canada	**14.8**	**3.7**	20.1	3.6
Germany	**6.9**	**—**	13.3	—
Brazil	**5.1**	**—**	6.8	—
Other foreign	**8.4**	**0.1**	18.4	—
Total consumer loans	**100.0%**	**100.0%**	100.0%	100.0%

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States were in California and Texas, which represented an aggregate of 16.5% of our total outstanding consumer loans at September 30, 2010. Our domestic concentrations in the automotive portfolio increased due to the adoption of ASU 2009-16 and ASU 2009-17 and higher retained originations.

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

Our foreign automotive outstandings are heavily concentrated in Canada and Germany, representing 14.8% and 6.9%, respectively, of total consumer automotive loans outstanding at September 30, 2010.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken regardless of whether foreclosure proceedings has taken place. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

Repossessed assets in our automotive finance operations at September 30, 2010, increased $14 million to $64 million from December 31, 2009. Foreclosed mortgage assets at September 30, 2010, increased $20 million to $169 million from December 31, 2009.

Higher Risk Mortgage Loans

During the three months and nine months ended September 30, 2010, we primarily focused our origination efforts on prime conforming and government guaranteed mortgages in the United States and high-quality insured mortgages in Canada. In June 2010, we ceased offering interest-only jumbo mortgage loans given the continued volatility of the housing market and the delayed principal payment feature of that loan product. We continued to hold mortgage loans 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.

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	**2010**	2009	**2010**	2009
High original loan-to-value (greater than 100%) mortgage loans	**$ —**	$ 1	**$ —**	$ 10
Payment-option adjustable-rate mortgage loans	**—**	—	**—**	—
Interest-only mortgage loans (a) (b)	**19**	136	**209**	304
Below market rate (teaser) mortgages	**—**	—	**—**	—
Total higher-risk mortgage loan production	**$ 19**	$ 137	**$ 209**	$ 314

(a) The originations during the three months ended September 30, 2010, for interest-only mortgage loans had an average FICO of 770 and an average loan-to-value of 63% with 100% full documentation. The originations during the nine months ended September 30, 2010, for interest-only mortgage loans had an average FICO of 763 and an average loan-to-value of 63% with 100% full documentation.

(b) As of June 2010, this product was no longer offered. The originations during the three months ended September 30, 2010, represents loans that were in the pipeline.

The following table summarizes held-for-investment mortgage loans and portfolios recorded at historical cost and reported at gross carrying value by higher-risk loan type.

($ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	September 30, 2010	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
High original loan-to-value (greater than 100%) mortgage loans	**$ 6**	$ 7	**$ 1**	$ 4	**$ —**	$ —
Payment-option adjustable-rate mortgage loans	**6**	7	**1**	1	**—**	—
Interest-only mortgage loans	**4,004**	4,346	**249**	139	**—**	—
Below market rate (teaser) mortgages	**298**	331	**6**	2	**—**	—
Total higher-risk mortgage loans	**$ 4,314**	$ 4,691	**$ 257**	$ 146	**$ —**	$ —

The allowance for loan losses was $274 million or 6.4% of total higher risk held-for-investment mortgage loans recorded at historical cost based on gross carrying value outstanding at September 30, 2010.

The following tables include our five largest state and foreign concentrations based on our higher risk held-for-investment loans recorded at historical cost and reported at gross carrying value.

September 30, 2010 *($ 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**
California	**$ —**	**$ 1**	**$ 1,098**	**$ 94**	**$ 1,193**
Virginia	**—**	**—**	**352**	**12**	**364**
Maryland	**—**	**—**	**279**	**7**	**286**
Michigan	**—**	**—**	**236**	**10**	**246**
Illinois	**—**	**—**	**210**	**9**	**219**
All other domestic and foreign	**6**	**5**	**1,829**	**166**	**2,006**
Total higher-risk mortgage loans	**$ 6**	**$ 6**	**$ 4,004**	**$ 298**	**$ 4,314**

December 31, 2009 *($ 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
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 higher-risk mortgage loans	$ 7	$ 7	$ 4,346	$ 331	$ 4,691

Commercial Credit Portfolio

During the three months and nine months ended September 30, 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 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.

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For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.

The following table includes total held-for-investment commercial finance receivables and loans reported at gross carrying value.

($ in millions)	Outstanding September 30, 2010	Outstanding December 31, 2009	Nonperforming (a) September 30, 2010	Nonperforming (a) December 31, 2009	Accruing past due 90 days or more (b) September 30, 2010	Accruing past due 90 days or more (b) December 31, 2009
Domestic						
Commercial and industrial						
Automobile	**$ 23,576**	$ 19,604	**$ 227**	$ 281	**$ —**	$ —
Mortgage	**2,038**	1,572	**10**	37	**—**	—
Resort finance	**—**	843	**—**	783	**—**	—
Other (c)	**2,061**	1,845	**50**	73	**—**	—
Commercial real estate						
Automobile	**2,055**	2,008	**246**	256	**—**	—
Mortgage	**5**	121	**5**	56	**—**	—
Total domestic	**29,735**	25,993	**538**	1,486	**—**	—
Foreign						
Commercial and industrial						
Automobile	**8,012**	7,943	**34**	66	**—**	—
Mortgage	**75**	96	**36**	35	**—**	—
Resort finance	**—**	—	**—**	—	**—**	—
Other (c)	**375**	437	**82**	131	**—**	3
Commercial real estate						
Automobile	**243**	221	**11**	24	**—**	—
Mortgage	**93**	162	**84**	141	**—**	—
Total foreign	**8,798**	8,859	**247**	397	**—**	3
Total commercial finance receivables and loans	**$ 38,533**	$ 34,852	**$ 785**	$ 1,883	**$ —**	$ 3

(a) Includes nonaccrual troubled debt restructured loans of $65 million and $59 million at September 30, 2010, and December 31, 2009, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2010, and December 31, 2009.
(c) Other commercial primarily includes structured finance, asset-based lending, and health capital loans.

Total commercial finance receivables and loans outstanding increased $3.7 billion to $38.5 billion at September 30, 2010, from December 31, 2009. Domestic commercial and industrial outstandings increased 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. Foreign commercial and industrial outstandings decreased $14 million from December 31, 2009, as a result of dealer exits and continued portfolio runoff within exited countries. Domestic and foreign commercial real estate outstandings decreased $116 million from December 31, 2009, due to continued asset dispositions.

Total commercial nonperforming loans were $785 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 2.0% and 5.4% at September 30, 2010, and December 31, 2009, respectively.

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The following table includes total held-for-investment commercial net charge-offs and related ratios reported at gross carrying value.

	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Domestic								
Commercial and industrial								
Automobile	**$ 8**	$ 18	**0.1%**	0.4%	**$ 14**	$ 37	**0.1%**	0.3%
Mortgage	**(1)**	(2)	**(0.2)**	(0.5)	**(3)**	83	**(0.3)**	5.3
Resort finance	**81**	—	**68.2**	—	**148**	—	**29.7**	—
Other	**(1)**	6	**(0.2)**	0.9	**2**	9	**0.1**	0.4
Commercial real estate								
Automobile	**7**	—	**1.4**	—	**36**	—	**2.3**	—
Mortgage	**—**	217	**—**	137.4	**41**	576	**133.8**	70.8
Total domestic	**94**	239	**1.3**	4.0	**238**	705	**1.2**	3.7
Foreign								
Commercial and industrial								
Automobile	**8**	5	**0.4**	0.3	**11**	3	**0.2**	—
Mortgage	**—**	—	**—**	—	**—**	—	**—**	—
Resort finance	**—**	—	**—**	—	**—**	—	**—**	—
Other	**19**	26	**19.7**	13.9	**49**	40	**17.6**	6.7
Commercial real estate								
Automobile	**—**	—	**—**	—	**2**	—	**1.2**	—
Mortgage	**9**	6	**32.9**	10.5	**18**	7	**19.0**	4.1
Total foreign	**36**	37	**1.6**	1.6	**80**	50	**1.2**	0.7
Total commercial finance receivables and loans	**$ 130**	$ 276	**1.4%**	3.3%	**$ 318**	$ 755	**1.2%**	2.8%

(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, conditional repurchase option loans, and loans held-for-sale during the year for each loan category.

Our net charge-offs from commercial loans totaled $130 million and $318 million for the three months and nine months ended September 30, 2010, respectively, compared to $276 million and $755 million for the same periods in 2009. 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 assets.

Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to developers, homebuilders, and commercial real estate firms. Commercial real estate finance receivables and loans outstanding decreased slightly to $2.4 billion at September 30, 2010, compared to $2.5 billion at December 31, 2009.

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The following table shows held-for-investment commercial real estate loans reported at gross carrying value by geographic region and property type.

	September 30, 2010	December 31, 2009
Geographic region		
Texas	**10.5%**	11.2%
Florida	**10.3**	11.8
Michigan	**9.8**	8.5
California	**9.6**	9.8
Virginia	**4.4**	3.9
New York	**3.9**	3.7
Pennsylvania	**3.8**	3.4
Oregon	**3.1**	2.1
Georgia	**2.4**	2.1
Alabama	**2.2**	2.1
Other United States	**26.0**	26.2
United Kingdom	**6.4**	7.3
Canada	**5.0**	4.3
Germany	**0.5**	0.6
Other foreign	**2.1**	3.0
Total outstanding commercial real estate loans	**100.0%**	100.0%
Property type		
Automobile dealerships	**90.8%**	84.3%
Residential	**3.4**	2.7
Land and land development	**0.7**	5.7
Apartments	**—**	2.9
Other	**5.1**	4.4
Total outstanding commercial real estate loans	**100.0%**	100.0%

Commercial Criticized Exposure

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

The following table shows industry concentrations for held-for-investment commercial criticized loans reported at gross carrying value. Total criticized exposures were $3.6 billion and $4.9 billion at September 30, 2010, and December 31, 2009, respectively.

	September 30, 2010	December 31, 2009
Industry		
Automotive	**59.3%**	50.1%
Banks and finance companies	**11.2**	2.0
Health/medical	**9.3**	7.9
Manufacturing	**4.5**	3.2
Real estate	**3.8**	6.1
Retail	**3.1**	2.7
Services	**2.4**	2.2
Electronics	**1.6**	1.8
All other (a)	**4.8**	24.0
Total commercial criticized loans	**100.0%**	100.0%

(a) Includes resort finance, which represented 17.1% of the portfolio at December 31, 2009.

Total criticized exposure decreased $1.3 billion to $3.6 billion from December 31, 2009, 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 solely due to the significant decrease in the overall criticized amounts outstanding at September 30, 2010, compared to December 31, 2009.

Allowance for Loan Losses

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

	2010			2009		
($ in millions)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Balance at July 1,	**$ 1,779**	**$ 598**	**$2,377**	$ 2,307	$ 994	$ 3,301
Charge-offs						
Domestic	**(248)**	**(98)**	**(346)**	(682)	(244)	(926)
Foreign	**(46)**	**(38)**	**(84)**	(158)	(37)	(195)
Total charge-offs (a)	**(294)**	**(136)**	**(430)**	(840)	(281)	(1,121)
Recoveries						
Domestic	**71**	**4**	**75**	62	5	67
Foreign	**19**	**2**	**21**	20	—	20
Total recoveries	**90**	**6**	**96**	82	5	87
Net charge-offs	**(204)**	**(130)**	**(334)**	(758)	(276)	(1,034)
Provision for loan losses (b)	**86**	**(77)**	**9**	537	143	680
Discontinued operations	**—**	**(1)**	**(1)**	22	3	25
Other	**13**	**(10)**	**3**	(2)	4	2
Balance at September 30, (c)	**$ 1,674**	**$ 380**	**$2,054**	$ 2,106	$ 868	$ 2,974
Allowance for loan losses to finance receivables and loans outstanding at September 30, (d)	**2.9%**	**1.0%**	**2.1%**	4.1%	2.5%	3.4%
Net charge-offs to average finance receivables and loans outstanding at September 30, (d)	**1.5%**	**1.4%**	**1.4%**	5.7%	3.3%	4.8%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, (d)	**207.3%**	**48.4%**	**129.0%**	61.3%	34.6%	50.0%
Ratio of allowance for loans losses to net charge-offs at September 30,	**2.0**	**0.7**	**1.5**	0.7	0.8	0.7

(a) Includes net charge-offs on past due operating lease payments of $9 million and $0 million for the three months ended September 30, 2010 and 2009, respectively.
(b) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.
(c) Includes allowance of $15 million and $19 million based on $45 million and $61 million of past due operating lease payments at September 30, 2010, and December 31, 2009, respectively. Prior to December 31, 2009, there was no allowance recorded for past due operating lease payments.
(d) Allowance coverage percentages are based on the allowance for loan losses related to loans held-for-investment excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

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($ in millions)	2010 Consumer	2010 Commercial	2010 Total	2009 Consumer	2009 Commercial	2009 Total
Balance at January 1,	**$ 1,664**	**$ 781**	**$ 2,445**	$ 2,536	$ 897	$ 3,433
Cumulative effect of change in accounting principles (a)	**222**	**—**	**222**	—	—	—
Charge-offs						
Domestic	**(795)**	**(250)**	**(1,045)**	(1,922)	(716)	(2,638)
Foreign	**(157)**	**(91)**	**(248)**	(773)	(55)	(828)
Total charge-offs (b)	**(952)**	**(341)**	**(1,293)**	(2,695)	(771)	(3,466)
Recoveries						
Domestic	**257**	**12**	**269**	172	11	183
Foreign	**54**	**11**	**65**	49	5	54
Total recoveries	**311**	**23**	**334**	221	16	237
Net charge-offs	**(641)**	**(318)**	**(959)**	(2,474)	(755)	(3,229)
Provision for loan losses (c)	**431**	**(56)**	**375**	1,832	711	2,543
Discontinued operations	**(1)**	**(3)**	**(4)**	160	6	166
Other	**(1)**	**(24)**	**(25)**	52	9	61
Balance at September 30, (d)	**$ 1,674**	**$ 380**	**$ 2,054**	$ 2,106	$ 868	$ 2,974
Allowance for loan losses to finance receivables and loans outstanding at September 30, (e)	**2.9%**	**1.0%**	**2.1%**	4.1%	2.5%	3.4%
Net charge-offs to average finance receivables and loans outstanding at September 30, (e)	**1.6%**	**1.2%**	**1.4%**	6.0%	2.8%	4.7%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, (e)	**207.3%**	**48.4%**	**129.0%**	61.3%	34.6%	50.0%
Ratio of allowance for loans losses to net charge-offs at September 30,	**2.0**	**0.9**	**1.6**	0.6	0.9	0.7

(a) Includes adjustment to the allowance due to adoption of ASU 2009-16, *Accounting for Transfers of Financial Assets* , and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . Refer to Note 1 to the Condensed Consolidated Financial Statements for additional information.
(b) Includes net charge-offs on past due operating lease payments of $31 million and $0 million for the nine months ended September 30, 2010 and 2009, respectively.
(c) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.
(d) Includes allowance of $15 million and $19 million based on $45 million and $61 million of past due operating lease payments at September 30, 2010, and December 31, 2009, respectively. Prior to December 31, 2009, there was no allowance recorded for past due operating lease payments.
(e) Allowance coverage percentages are based on the allowance for loan losses related to loans held-for-investment excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at September 30, 2010, declined $432 million compared to September 30, 2009, reflecting the improved asset mix resulting from the strategic actions taken in late 2009 related to certain legacy mortgage loans. Partially offsetting this decline was an increase in the allowance for automotive loan losses due to increased loans outstanding.

The allowance for commercial loan losses declined $488 million at September 30, 2010, compared to September 30, 2009, primarily related to the sale of the resort finance portfolio, portfolio runoff in our liquidating 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 table summarizes the allocation of the allowance for loan losses by product type.

September 30, *($ in millions)*	**2010** Allowance for loan losses	**2010** Allowance as a % of loans outstanding	**2010** Allowance as a % of allowance for loan losses	2009 Allowance for loan losses	2009 Allowance as a % of loans outstanding	2009 Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Automobile	**$ 851**	**2.8**	**41.4**	$ 707	5.7	23.8
1st Mortgage	**351**	**4.9**	**17.1**	591	5.7	19.9
Home equity	**271**	**7.6**	**13.2**	405	6.4	13.6
Total domestic	**1,473**	**3.6**	**71.7**	1,703	5.9	57.3
Foreign						
Automobile	**199**	**1.2**	**9.7**	267	1.4	9.0
1st Mortgage	**2**	**0.5**	**0.1**	136	3.8	4.5
Home equity	**—**	**—**	**—**	—	—	—
Total foreign	**201**	**1.2**	**9.8**	403	1.8	13.5
Total consumer loans	**1,674**	**2.9**	**81.5**	2,106	4.1	70.8
Commercial						
Domestic						
Commercial and industrial	**239**	**0.9**	**11.7**	535	2.3	18.0
Commercial real estate	**4**	**0.2**	**0.2**	157	7.3	5.3
Total domestic	**243**	**0.8**	**11.9**	692	2.7	23.3
Foreign						
Commercial and industrial	**104**	**1.2**	**5.0**	129	1.5	4.3
Commercial real estate	**33**	**9.9**	**1.6**	47	14.7	1.6
Total foreign	**137**	**1.6**	**6.6**	176	2.0	5.9
Total commercial loans	**380**	**1.0**	**18.5**	868	2.5	29.2
Total allowance for loan losses	**$ 2,054**	**2.1**	**100.0**	$ 2,974	3.4	100.0

Provision for Loan Losses

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

($ in millions)	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Consumer				
Domestic				
Automobile	**$ 54**	$ 99	**$ 230**	$ 207
1st Mortgage	**(15)**	246	**57**	940
Home equity	**42**	142	**83**	500
Total domestic	**81**	487	**370**	1,647
Foreign				
Automobile	**4**	51	**59**	182
1st Mortgage	**1**	(1)	**2**	3
Home equity	**—**	—	**—**	—
Total foreign	**5**	50	**61**	185
Total consumer loans	**86**	537	**431**	1,832
Commercial				
Domestic				
Commercial and industrial (a)	**(67)**	191	**(33)**	317
Commercial real estate	**—**	(63)	**(9)**	276
Total domestic	**(67)**	128	**(42)**	593
Foreign				
Commercial and industrial	**(8)**	16	**(12)**	115
Commercial real estate	**(2)**	(1)	**(2)**	3
Total foreign	**(10)**	15	**(14)**	118
Total commercial loans	**(77)**	143	**(56)**	711
Total provision for loans losses	**$ 9**	$ 680	**$ 375**	$ 2,543

(a) Includes $69 million benefit from the recognition of a recovery through provision upon the sale of the resort finance portfolio in September 2010.

Credit Derivatives

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

The following table summarizes our credit derivatives.

($ in millions)	September 30, 2010 Contract/notional	September 30, 2010 Credit risk	December 31, 2009 Contract/notional	December 31, 2009 Credit risk
Credit derivatives				
Purchased protection				
Credit default swaps	**$ 15**	**$ 1**	$ 200	$ 2
Total return swaps	**—**	**—**	—	—
Total purchased protection	**15**	**1**	200	2
Written protection				
Credit default swaps	**40**	**(1)**	90	—
Total return swaps	**—**	**—**	—	—
Total written protection	**40**	**(1)**	90	—
Total credit derivatives	**$ 55**	**$ —**	$ 290	$ 2

We use credit derivatives to hedge credit risk and reduce risk concentrations on our balance sheet. We regularly monitor our counterparty credit risk on an absolute and net exposure basis. Overall, net credit risk decreased $2 million at September 30, 2010, compared to December 31, 2009, primarily due to changes in hedging activities in our international operations.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we enter into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 16 to the Condensed Consolidated Financial Statements for further information.

We are exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. Our most significant foreign-currency exposures relate to the Euro, the Canadian dollar, the British pound sterling, the Brazilian real, and the Mexican peso. We may enter into hedges to mitigate foreign exchange risk.

We are also exposed 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 macro equity hedges to mitigate our exposure to price fluctuations in the overall portfolio.

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

Since December 31, 2009, there have been no material changes in these market risks. Refer to our Annual Report on Form 10-K for the year ended December 31, 2009, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis.

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 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 measures and monitors all risks associated with achieving securitization plans, including market, reputational, and credit risks.

We maintain excess liquidity available 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 excess 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.

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 a modest amount of 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.

Today, all new bank-eligible assets in the United States are being directed to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements. During 2009, we received an expanded exemption from the Federal Reserve allowing Ally Bank to originate a limited amount of GM-related retail and wholesale assets subject to certain conditions. Previously, we were more limited in the GM-related assets that could be originated in Ally Bank due to Section 23A of the Federal Reserve Act. The restrictions of Section 23A would cease to apply to GM-related transactions if GM and Ally ceased to be deemed "affiliates" under applicable bank regulatory standards; this would then allow 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. If the restrictions of Section 23A continue into 2011 and we reach our exemption limit granted by the Federal Reserve, we would revert to funding a higher amount of retail and wholesale assets outside of Ally Bank through nonbank funding sources.

Bank Funding

At September 30, 2010, Ally Bank maintained cash liquidity of $4.1 billion and highly liquid U.S. federal government and U.S. agency securities of $3.3 billion, excluding certain securities that were encumbered at September 30, 2010. In addition, at September 30, 2010, Ally Bank had unused capacity in committed secured funding facilities of $7.5 billion, including $3.7 billion from a 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 the use of third-party intermediaries. In the first nine months of 2010, the deposit base at Ally Bank grew $4.2 billion, ending the quarter at $33.0 billion from $28.8 billion at December 31, 2009. The growth in deposits is primarily attributable to our retail deposit portfolio. Strong retention rates have materially contributed to our growth in retail deposits during 2010. In the third quarter of 2010, we retained 88% of CD balances up for renewal during the quarter. In addition to retail and brokered deposits, Ally Bank has access to funding through a variety of other sources including FHLB advances, the Federal Reserve's Discount Window, securitizations and private funding arrangements. At September 30, 2010, debt outstanding from the FHLB totaled $4.3 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Funding from repurchase agreements is accounted for as debt on our Condensed Consolidated Balance Sheet. At September 30, 2010, and December 31, 2009, Ally Bank had no debt outstanding under repurchase agreements.

In the third quarter of 2010 we continued to be active in the securitization markets to finance our Ally Bank retail and wholesale automotive loans, completing three transactions that generated approximately $2.2 billion of funding. On a year-to-date basis through September 30, 2010, Ally Bank has completed eight automotive term asset-backed securitizations totaling $6.1 billion in funding. We intend to continue to utilize the securitization markets to finance our growing Ally Bank retail and wholesale automotive loan portfolio, while ensuring adequate available liquidity by maintaining committed secured facilities. At September 30, 2010, the total credit commitments capable of financing Ally Bank's automotive loan portfolios were $12.0 billion, which includes $3.7 billion of commitments available to Ally Bank or the parent company. There was $4.5 billion of debt outstanding under these facilities at September 30, 2010.

In Canada, we are also focused on growing our deposit-raising platform. Through our ResMor Trust subsidiary (ResMor), we began raising deposits in 2009. ResMor launched its online deposit platform in September 2009, providing a variety of products under the Ally brand. At September 30, 2010, this retail deposit channel had deposits of $963 million. This is in addition to a brokered deposit product line that had a balance of $2.3 billion at September 30, 2010, compared to $1.5 billion at December 31, 2009.

Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

Nonbank Funding

At September 30, 2010, the parent company maintained cash liquidity in the amount of $7.3 billion and unused capacity in committed credit facilities of $9.1 billion, excluding $3.7 billion from a shared facility that is 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. For purposes of this section of the MD&A (*Nonbank*

Funding), parent company includes Ally consolidated less our Insurance operations, ResCap, and Ally Bank. 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.

Throughout 2010, we have targeted transactions in the unsecured debt markets to further strengthen the parent company liquidity position and to prefund upcoming debt maturities. In the first nine months of 2010, we raised $7.0 billion in the bond markets, including a $1.8 billion issuance in the third quarter. Slightly more than half of the $7.0 billion issued this year had a term of 10 years, while the remaining amount had a term of 5 years. In addition to the debt capital markets, we offer unsecured debt through two retail debt programs, known as SmartNotes and Demand Notes. 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 was $10.0 billion and $10.9 billion of SmartNotes outstanding at September 30, 2010, and December 31, 2009, respectively.

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 $1.8 billion at September 30, 2010, compared to $1.3 billion at December 31, 2009. Unsecured short-term bank loans also provide short-term funding. At September 30, 2010, we had $3.9 billion in short-term unsecured debt outstanding, an increase of $0.6 billion from December 31, 2009. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term and long-term unsecured debt.

In our North American and International Automotive Finance operations, we maintain numerous credit facilities funded by a variety of financial institutions. In North America, our primary facility is a $7.9 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. The facility is set to mature in June 2011. Historically, we have also had automotive whole-loan forward flow agreements that provide commitments from third parties to purchase U.S. automotive retail assets. However, the arrangements expired in 2010, with the final transaction completed under these arrangements in October 2010. During the first nine months of 2010, our U.S. term securitization issuance activity has been exclusively conducted through Ally Bank. Internationally, in the first nine months of 2010, we have been active in the public and private securitization markets, completing a total of eight transactions in Canada, Mexico, and Germany that raised approximately $5.4 billion in funding. In addition, in October 2010, we entered the German public securitization market with our first-ever public securitization of retail automotive loans in that market resulting in approximately $635 million in funding.

Recent Funding Developments

During the first nine months of 2010, we completed funding transactions totaling more than $30 billion and we renewed key existing funding facilities as we realized ready access to both the public and private markets. Key funding highlights from the first nine months of 2010 are as follows.

- We issued over $7 billion of unsecured debt, which included issuances in both the U.S. and European markets. In the third quarter 2010, we issued $1.8 billion of unsecured long-term debt with a maturity of 10 years.
- We raised over $12 billion from the sale of asset-backed securities publicly and privately in multiple jurisdictions. In the United States, we issued Ally Bank-sponsored transactions totaling $6.1 billion of which $2.2 billion was completed in the third quarter. We also completed $674 million of issuance supported by mortgage servicer advances and mortgage loans. Outside the United States, we issued approximately $5.4 billion through public and private automotive securitization transactions.
- We created more than $11 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 third quarter, we entered into new committed secured auto facilities in Canada and France that provide total capacity of $684 million and a new committed secured mortgage facility with total capacity of $125 million.

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- We renewed over $2 billion of key private funding facilities at our International Automotive Finance operations and Mortgage operations. In the third quarter, we renewed committed secured auto facilities in Europe and Mexico that provide total capacity of approximately $493 million.

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

($ in millions)	**September 30, 2010**	December 31, 2009
Secured financings	**$ 42,305**	$ 48,759
Institutional term debt	**26,393**	24,809
Retail debt programs (a)	**14,192**	14,622
Temporary Liquidity Guarantee Program (TLGP)	**7,400**	7,400
Bank loans and other	**2,220**	2,194
Total debt (b)	**$ 92,510**	$ 97,784
Bank deposits (c)	**$ 35,442**	$ 30,006
Off-balance sheet securitizations		
Retail finance receivables	**$ —**	$ 6,554
Mortgage loans	**68,511**	99,123
Total off-balance sheet securitizations	**$ 68,511**	$ 105,677

(a) Primarily includes $9,960 million and $10,878 million of Ally SmartNotes at September 30, 2010, and December 31, 2009, respectively.
(b) Excludes fair value adjustment as described in Note 19 to the Condensed Consolidated Financial Statements.
(c) Includes consumer and commercial bank deposits and dealer wholesale deposits.

Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at September 30, 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 Condensed Consolidated Balance Sheet.

Funding Facilities — Operating Segment

Most of our committed capacity is concentrated in our Automotive Finance operations, which is consistent with our strategic focus. Our funding facility capacity for Mortgage operations is sourced from private bank facilities, the Federal Reserve Bank, and FHLB advances. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information on our funding facilities by operating segment.

Funding Facilities — Bank/Nonbank Funding

At September 30, 2010, Ally Bank's total committed capacity was $12.0 billion of which $3.7 billion was available to both Ally Bank and the parent company, Ally Financial Inc. Each of these committed facilities has a 364-day maturity and is available to fund automotive receivables. Ally Bank's largest facility is a $7.0 billion secured revolving syndicated credit facility that matures in April 2011. If this facility is not renewed, the outstanding debt will be repaid over time as the underlying collateral amortizes. At September 30, 2010, the amount outstanding under this facility was $3.5 billion. Ally Financial Inc.'s largest facility is a $7.9 billion secured revolving syndicated credit facility that matures in June 2011. If this facility is not renewed any remaining outstanding debt will become immediately due and payable. At September 30, 2010, the amount outstanding under this facility was $493 million. Other funding facilities available to Ally Bank are generally composed of Federal Reserve Bank and FHLB advances, as well as repurchase arrangements with third-party lenders.

	Total capacity		**Unused capacity (a)**		**Outstanding**	
($ in billions)	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009	**September 30, 2010**	December 31, 2009
Committed unsecured						
Nonbank funding						
Automotive Finance operations	**$ 0.8**	$ 0.8	**$ 0.1**	$ 0.1	**$ 0.7**	$ 0.7
Committed secured						
Nonbank funding						
Automotive Finance operations and other	**17.8**	32.0	**9.0**	9.0	**8.8**	23.0
Mortgage operations	**1.7**	2.1	**0.6**	0.4	**1.1**	1.7
Bank funding	**8.3**	—	**3.8**	—	**4.5**	—
Shared capacity (b)	**3.7**	4.0	**3.7**	3.2	**—**	0.8
Total committed facilities	**32.3**	38.9	**17.2**	12.7	**15.1**	26.2
Uncommitted unsecured						
Nonbank funding						
Automotive Finance operations	**1.7**	0.9	**0.5**	0.1	**1.2**	0.8
Uncommitted secured						
Nonbank funding						
Automotive Finance operations	**0.4**	0.4	**—**	0.1	**0.4**	0.3
Mortgage operations	**—**	0.2	**—**	0.2	**—**	—
Bank funding						
Federal Reserve funding programs	**3.6**	7.8	**3.6**	2.8	**—**	5.0
Other facilities (c)	**5.1**	5.9	**0.8**	0.8	**4.3**	5.1
Total uncommitted facilities	**10.8**	15.2	**4.9**	4.0	**5.9**	11.2
Total facilities	**43.1**	54.1	**22.1**	16.7	**21.0**	37.4
Whole-loan forward flow agreements (d)	**0.9**	9.4	**0.9**	9.4	**—**	—
Total	**$ 44.0**	$ 63.5	**$ 23.0**	$ 26.1	**$ 21.0**	$ 37.4

(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) Included $5.1 billion and $5.9 billion of capacity from FHLB advances with $4.3 billion and $5.1 billion outstanding at September 30, 2010, and December 31, 2009, respectively.
(d) Represents commitments of financial institutions to purchase U.S. automotive retail assets.

Committed Unsecured Funding Facilities

Revolving credit facilities — At September 30, 2010, we maintained $486 million of commitments in our U.S. unsecured revolving credit facility maturing June 2012. This facility was fully drawn. We also maintained $264 million of committed unsecured bank facilities in Canada and $48 million in Europe. The European facility expires in March 2011 while the Canadian facilities expire in June 2012.

Committed Secured Funding Facilities

Facilities for Automotive Finance Operations

Our nonbank secured revolving credit facility mentioned above includes a leverage ratio covenant that requires our reporting segments, excluding our Mortgage operations reporting segment, to have a ratio of consolidated borrowed funds to consolidated net worth not to exceed 11.0:1. For purposes of this calculation, the numerator is our total debt on a consolidated basis (excluding obligations of bankruptcy-remote special-purpose entities) less the total debt of our Mortgage operations reporting segment on our Condensed Consolidated Balance Sheet (excluding obligations of bankruptcy-remote special-purpose entities). The denominator is our consolidated net worth less our Mortgage operations consolidated net worth and certain extensions of credit from us to our Mortgage operations. At September 30, 2010, the leverage ratio was 2.7:1. The following table summarizes the calculation of the leverage ratio covenant.

September 30, 2010 *($ in millions)*	**Ally**	**Less: Mortgage operations**	**Adjusted leverage metrics**
Consolidated borrowed funds			
Total debt	**$ 93,461**	**$ 14,378**	**$ 79,083**
Less			
Obligations of bankruptcy-remote SPEs	**(32,305)**	**(3,096)**	**(29,209)**
Intersegment eliminations	**—**	**(1,319)**	**1,319**
Consolidated borrowed funds used for leverage ratio	**$ 61,156**	**$ 9,963**	**$ 51,193**
Consolidated net worth			
Total equity	**20,977**	**1,954**	**19,023**
Less			
Intersegment credit extensions	**71**	**—**	**71**
Consolidated net worth used for leverage ratio	**$ 21,048**	**$ 1,954**	**$ 19,094**
Leverage ratio (a)			**2.7**

(a) We remain subject to a leverage ratio as calculated prior to the formation of the June 2008 secured revolving credit facility but on significantly reduced debt balances relative to prior periods. At September 30, 2010, the leverage ratio as calculated based on that methodology was 2.9:1, which is based on a numerator of $61.2 billion and a denominator of $21.0 billion. This leverage ratio is based on consolidated Ally Financial Inc. information and does not exclude our Mortgage operations.

In addition to our syndicated revolving credit facilities, we also maintain various bilateral and multilateral credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of assets. Some of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period.

Facilities for Mortgage Operations

At September 30, 2010, we had capacity of $600 million to fund eligible mortgage servicing rights and capacity of $475 million to fund mortgage servicer advances. We also maintain an additional $600 million of committed capacity to fund mortgage loans.

Cash Flows

Net cash provided by operating activities was $11.5 billion for the nine months ended September 30, 2010, compared to $2.0 billion for the same period in 2009 reflecting the improved operating results in 2010. During the nine months ended September 30, 2010, the net cash inflow from sales and repayments of mortgage and automotive loans held-for-sale exceeded cash outflows from new originations and purchases of such loans by $6.2 billion. These activities resulted in a net cash outflow of $5.4 billion for the nine months ended September 30, 2009. This was primarily a result of new auto loan originations in 2010 primarily being classified as held-for-investment as opposed to held-for-sale in 2009.

Net cash used in investing activities was $3.6 billion for the nine months ended September 30, 2010, compared to net cash provided of $8.7 billion for the same period in 2009. Net cash flows associated with finance receivables and loans, including notes receivable from GM, decreased $20.9 billion during the nine months ended September 30, 2010, compared to the same period in 2009. These decreases were partially offset by an increase in cash received from sales and maturities of available-for-sale investment securities, net of purchases, of $8.5 billion during the nine months ended September 30, 2010, compared to the same period in 2009.

Net cash used in financing activities for the nine months ended September 30, 2010, totaled $11.3 billion, compared to $11.0 billion for the same period in 2009. Cash provided from new equity issuances was $8.7 billion in 2009. There were no similar equity issuances in 2010. Also contributing to the increase in net cash used was an increase of $3.9 billion in cash outflows to settle short-term debt obligations, and a decrease of $3.4 billion in cash provided by bank deposits in 2010, compared to 2009. Proceeds from the issuance of long-term debt increased $8.4 billion during the nine months ended September 30, 2010, while cash used to repay debt decreased $7.2 billion, as we managed our funding profile.

Regulatory Capital

Refer to Note 15 to the Condensed Consolidated Financial Statements.

Credit Ratings

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

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

Rating agency	Commercial paper	Senior debt	Outlook	Date of last action
Fitch	B	B	Positive	January 21, 2010(a)
Moody’s	Not-Prime	B3	Stable	February 5, 2010(b)
S&P	C	B	Stable	January 27, 2010(c)
DBRS	R-4	BB-Low	Stable	January 19, 2010(d)

(a) Fitch upgraded our senior debt to B from CC, upgraded the commercial paper rating to B from C, and changed the outlook to Positive on January 21, 2010.
(b) Moody’s upgraded our senior debt rating to B3 from Ca, affirmed the commercial paper rating of Not-Prime, and changed the outlook to Stable on February 5, 2010.
(c) Standard & Poor’s upgraded our senior debt rating to B from CCC, affirmed the commercial paper rating of C, and changed the outlook to Stable on January 27, 2010.
(d) DBRS upgraded our senior debt rating to BB-Low from CCC, upgraded the commercial paper rating to R-4 from R-5, and changed the outlook to Stable on January 19, 2010.

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In addition, ResCap, our indirect wholly owned subsidiary, has ratings (separate from Ally) from the nationally recognized rating agencies. The following table summarizes ResCap's current ratings and outlook by the respective agency.

Rating agency	Commercial paper	Senior debt	Outlook	Date of last action
Fitch	C	C	Watch-Positive	January 8, 2009(a)
Moody's	Not-Prime	C	Stable	November 20, 2008(b)
S&P	C	CCC+	Stable	January 27, 2010(c)
DBRS	R-5	C	Review-Negative	November 21, 2008(d)

(a) Fitch affirmed ResCap's senior debt rating of C, affirmed the commercial paper rating of C, and changed the outlook to Watch-Positive on January 8, 2009.
(b) Moody's downgraded ResCap's senior debt to C from Ca, affirmed the commercial paper rating of Not-Prime, and changed the outlook to Stable on November 20, 2008.
(c) Standard & Poor's upgraded ResCap's senior debt rating to CCC+ from CC, affirmed the commercial paper rating of C, and changed the outlook to Stable on January 27, 2010.
(d) DBRS affirmed ResCap's senior debt rating to C, affirmed the commercial paper rating of R-5, and changed the outlook to Review-Negative on November 21, 2008.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Valuation of securities
- Valuation of loans held-for-sale
- Allowance for loan losses
- Valuation of automotive lease residuals
- Valuation of mortgage servicing rights
- Goodwill
- Determination of reserves for insurance losses and loss adjustment expenses
- Determination of provision for income taxes

There have been no significant changes in the methodologies and processes used in developing these estimates from what was described in our 2009 Annual Report on Form 10-K; however, the valuation of interests in securitized assets is no longer considered a critical accounting estimate as of January 1, 2010, due to the adoption of Accounting Standards Update (ASU) 2009-16, *Accounting for Transfers of Financial Assets* and ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* . The adoption resulted in the removal of certain retained interests because we were required under the new standards to consolidate the assets and liabilities of the related securitization structures. We now reflect our economic interest in these structures primarily through loans and secured debt. Refer to Note 1 to the Condensed Consolidated Financial Statements for more information on ASU 2009-16 and ASU 2009-17.

Fair Value of Financial Instruments

We follow the fair value hierarchy set forth in Note 19 to the Condensed Consolidated Financial Statements to prioritize the data used 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.

At September 30, 2010, approximately 20% of total assets ($34.0 billion) and approximately 5% of total liabilities ($7.5 billion) were recorded at fair value on either a recurring or a nonrecurring basis. Level 3 inputs were used to calculate the fair value of approximately 25% and 39% of these assets and liabilities, respectively. See Note 19 to the Condensed Consolidated Financial Statements for descriptions 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.

While we execute various hedging strategies to mitigate our exposure to changes in fair value, we cannot fully eliminate our exposure to volatility caused by fluctuations in market prices. In recent years, the credit markets across the globe experienced dislocation. Market demand for asset-backed securities, particularly those backed by mortgage assets, significantly contracted and in many markets virtually disappeared. Further, market demand by whole-loan purchasers also contracted. These unprecedented market conditions adversely affected us as well as our competitors. As market conditions evolve, our assets and liabilities are subject to valuation adjustment and changes in the inputs we utilize to measure fair value.

At September 30, 2010, our Level 3 assets declined 37%, or $5.1 billion, and our Level 3 liabilities increased 80%, or $1.3 billion compared to December 31, 2009. The decline in Level 3 assets was primarily due to the $4.2 billion decline in loans held-for-sale measured at fair value on a nonrecurring basis at September 30, 2010, compared to December 31, 2009. During 2009, we reclassified mortgage loans with an unpaid principal balance of $8.5 billion from finance receivables and loans, net, to loans held-for-sale, net, because we changed our intent to hold these loans for the foreseeable future. As a result, we recognized a valuation loss of approximately $3.4 billion during 2009 when we adjusted these loans from their cost basis to their fair value. The valuation adjustments recognized in 2010 were not as significant. Also contributing to the decline in Level 3 assets were unfavorable mortgage servicing rights valuation results because of declining mortgage rates and portfolio runoff, fewer nonrecurring fair value measurements related to our commercial finance receivables and loans, and a decline in trading securities because ASU 2009-17 eliminated certain retained interests we had held. A partial offset to the overall decrease in the Level 3 assets was a $1.6 billion increase in consumer finance receivables and loans carried at fair value on a recurring basis because of a fair value option election. The increase in the consumer loans was primarily related to the implementation of ASU 2009-17. The implementation required several of our securitization structures previously held off-balance sheet to be consolidated as of January 1, 2010. Upon consolidation, we elected the fair value option for the consumer finance receivables and loans, as well as the related debt. The election made to the related debt was the primary reason the Level 3 liabilities increased $1.3 billion compared to December 31, 2009.

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 is 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 are benchmarked to market indices when appropriate and available. We schedule model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

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Statistical Tables

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appear elsewhere in this Quarterly Report.

Net Interest Margin Tables

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Three months ended September 30, *($ in millions)*	**2010** Average balance (a)	**2010** Interest income/ interest expense	**2010** Yield/rate (annualized)	2009 Average balance (a)	2009 Interest income/ interest expense	2009 Yield/rate (annualized)
Assets						
Interest-bearing cash and cash equivalents	**$ 16,402**	**$ 22**	**0.53%**	$ 14,898	$ 19	0.51%
Trading securities	**224**	**5**	**8.86**	917	62	26.82
Investment securities (b)	**11,151**	**83**	**2.95**	11,664	46	1.56
Loans held-for-sale, net	**12,118**	**153**	**5.01**	11,840	114	3.82
Finance receivables and loans, net (c) (d)	**93,654**	**1,659**	**7.03**	89,337	1,587	7.05
Investment in operating leases, net (e)	**10,942**	**401**	**14.54**	20,461	492	9.54
Total interest earning assets	**144,491**	**2,323**	**6.38**	149,117	2,320	6.17
Noninterest-bearing cash and cash equivalents	**686**			799		
Other assets	**39,304**			30,576		
Allowance for loan losses	**(2,350)**			(3,035)		
Total assets	**$ 182,131**			$ 177,457		
Liabilities						
Interest-bearing deposit liabilities	**$ 34,583**	**$ 172**	**1.97%**	$ 25,378	$ 178	2.78%
Short-term borrowings	**8,691**	**110**	**5.02**	8,942	121	5.37
Long-term debt (f) (g) (h)	**85,650**	**1,451**	**6.72**	93,334	1,449	6.16
Total interest-bearing liabilities (g) (i)	**128,924**	**1,733**	**5.33**	127,654	1,748	5.43
Noninterest-bearing deposit liabilities	**2,345**			2,161		
Other liabilities	**30,050**			21,989		
Total liabilities	**161,319**			151,804		
Total equity	**20,812**			25,653		
Total liabilities and equity	**$ 182,131**			$ 177,457		
Net financing revenue		**$ 590**			$ 572	
Net interest spread (j)			**1.05%**			0.74%
Net interest spread excluding original issue discount (j)			**2.12%**			1.81%
Yield on interest earning assets (k)			**1.62%**			1.52%
Yield on interest earning assets excluding original issue discount (k)			**2.47%**			2.31%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.
(b) Excludes income on equity investments of $5 million and $3 million at September 30, 2010 and 2009, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.
(d) Includes other interest income of $0 million and $1 million at September 30, 2010 and 2009, respectively.
(e) Includes gains on sale of $162 million and $152 million during the three months ended September 30, 2010 and 2009, respectively. Excluding these gains on sale, the annualized yield would be 8.67% and 6.59% at September 30, 2010 and 2009, respectively.
(f) Includes the effects of derivative financial instruments designated as hedges.
(g) Average balance includes $3,607 million and $4,710 million related to original issue discount at September 30, 2010 and 2009, respectively. Interest expense includes original issue discount amortization of $311 million and $295 million during the three months ended September 30, 2010 and 2009, respectively.
(h) Excluding original issue discount the rate on long-term debt was 5.07% and 4.67% at September 30, 2010 and 2009, respectively.
(i) Excluding original issue discount the rate on total interest-bearing liabilities was 4.26% and 4.36% at September 30, 2010 and 2009, respectively.
(j) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities.
(k) Yield on interest earning assets represents net financing revenue as a percentage of total interest earning assets.

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Nine months ended September 30, (*$ in millions*)	**2010** Average balance (a)	**2010** Interest income/ interest expense	**2010** Yield/rate (annualized)	2009 Average balance (a)	2009 Interest income/ interest expense	2009 Yield/rate (annualized)
Assets						
Interest-bearing cash and cash equivalents	**$ 14,812**	**$ 54**	**0.49%**	$ 14,463	$ 88	0.81%
Trading securities	**246**	**12**	**6.52**	1,038	119	15.33
Investment securities (b)	**11,205**	**266**	**3.17**	8,217	156	2.54
Loans held-for-sale, net	**13,866**	**524**	**5.05**	10,523	282	3.58
Finance receivables and loans, net (c) (d)	**89,504**	**4,903**	**7.32**	94,039	4,991	7.10
Investment in operating leases, net (e)	**12,906**	**1,393**	**14.43**	22,668	1,484	8.75
Total interest earning assets	**142,539**	**7,152**	**6.71**	150,948	7,120	6.31
Noninterest-bearing cash and cash equivalents	**541**			1,125		
Other assets	**38,862**			31,379		
Allowance for loan losses	**(2,468)**			(3,371)		
Total assets	**$ 179,474**			$ 180,081		
Liabilities						
Interest-bearing deposit liabilities	**$ 32,451**	**$ 485**	**2.00%**	$ 22,545	$ 535	3.17%
Short-term borrowings	**7,939**	**322**	**5.42**	9,062	464	6.85
Long-term debt (f) (g) (h)	**87,809**	**4,295**	**6.54**	100,991	4,685	6.20
Total interest-bearing liabilities (g) (i)	**128,199**	**5,102**	**5.32**	132,598	5,684	5.73
Noninterest-bearing deposit liabilities	**2,038**			1,952		
Other liabilities	**28,515**			21,077		
Total liabilities	**158,752**			155,627		
Total equity	**20,722**			24,454		
Total liabilities and equity	**$ 179,474**			$ 180,081		
Net financing revenue		**$ 2,050**			$ 1,436	
Net interest spread (j)			**1.39%**			0.58%
Net interest spread excluding original issue discount (j)			**2.46%**			1.59%
Yield on interest earning assets (k)			**1.92%**			1.27%
Yield on interest earning assets excluding original issue discount (k)			**2.77%**			2.01%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.
(b) Excludes income on equity investments of $13 million and $6 million at September 30, 2010 and 2009, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status refer to Note 1 to the Consolidated Financial Statements in our 2009 Annual Report on Form 10-K.
(d) Includes other interest income of $0 million and $56 million at September 30, 2010 and 2009, respectively.
(e) Includes gains on sale of $548 million and $309 million during the nine months ended September 30, 2010 and 2009, respectively. Excluding these gains on sale, the annualized yield would be 8.75% and 6.93% at September 30, 2010 and 2009, respectively.
(f) Includes the effects of derivative financial instruments designated as hedges.
(g) Average balance includes $3,911 million and $4,997 million related to original issue discount at September 30, 2010 and 2009, respectively. Interest expense includes original issue discount amortization of $901 million and $828 million during the nine months ended September 30, 2010 and 2009, respectively.
(h) Excluding original issue discount the rate on long-term debt was 4.95% and 4.87% at September 30, 2010 and 2009, respectively.
(i) Excluding original issue discount the rate on total interest-bearing liabilities was 4.25% and 4.72% at September 30, 2010 and 2009, respectively.
(j) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities.
(k) Yield on interest earning assets represents net financing revenue as a percentage of total interest earning assets.

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward Looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: our inability to repay our outstanding obligations to the U.S. Department of the Treasury, or to do so in a timely fashion and without disruption to our business; uncertainty of Ally's ability to enter into transactions or execute strategic alternatives to realize the value of its Residential Capital, LLC (ResCap) operations; our inability to successfully accommodate the additional risk exposure relating to providing wholesale and retail financing to Chrysler dealers and customers and the resulting impact to our financial stability; uncertainty related to Chrysler's and GM's recent exits from bankruptcy; uncertainty related to the new financing arrangement between Ally and Chrysler; securing low cost funding for Ally and ResCap and maintaining the mutually beneficial relationship between Ally and GM, and Ally and Chrysler; our ability to maintain an appropriate level of debt and capital; the profitability and financial condition of GM and Chrysler; our ability to realize the anticipated benefits associated with our conversion to a bank holding company, and the increased regulation and restrictions that we are now subject to; continued challenges in the residential mortgage and capital markets; the potential for deterioration in the residual value of off-lease vehicles; the continuing negative impact on ResCap and our mortgage business generally due to the decline in the U.S. housing market; any impact resulting from delayed foreclosure sales or related matters; 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; disruptions in the market in which we fund Ally's and ResCap's operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of ResCap, Ally, 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 recently enacted financial regulatory reform bill). Investors are cautioned not to place undue reliance on forward-looking statements. Ally undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 2, Management's Discussion and Analysis.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. As of the end of the period covered by this report, our Chief Executive Officer and our Chief Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures. Based on our evaluation, Ally's Chief Executive Officer and Chief Financial Officer each concluded that our disclosure controls and procedures were effective at September 30, 2010.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Item 1. 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. On the basis of information currently available, advice of counsel, available insurance coverage, and established reserves, it is the opinion of management that the eventual outcome of the actions against us will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of legal matters, if unfavorable, may be material to our consolidated financial condition, results of operations, or cash flows. 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

There are six cases relating to various mortgage-backed securities (MBS) offerings that are currently pending. Plaintiffs in these cases include Cambridge Place Investment Management Inc. (case pending in Suffolk County Superior Court, Massachusetts), The Charles Schwab Corporation (case pending in San Francisco County Superior Court, California), Federal Home Loan Bank of Chicago (case pending in Cook County Circuit Court, Illinois), Federal Home Loan Bank of Indianapolis (case pending in Marion County Superior Court, Indiana), New Jersey Carpenters Health Fund, et al. (a putative class action not yet certified pending in federal court in the Southern District of New York), and the West Virginia Investment Management Board (case pending in the Kanawha County Circuit Court, West Virginia). Each of the above cases include as defendants certain of our mortgage subsidiaries, and the New Jersey Carpenters case also includes 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.

There are two additional cases currently 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 the defendant 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 alleges fraud, negligent misrepresentation, and breach of the duty of good faith and fair dealing.

All of the matters described above are at various procedural stages of litigation.

Item 1A. Risk Factors

Other than with respect to the risk factors provided below, there have been no material changes to the Risk Factors described in our 2009 Annual Report on Form 10-K and subsequent quarterly report on Form 10-Q for the three months ended June 30, 2010.

Risks Related to Our Business

Our business and financial condition could be adversely affected as a result of our temporary suspension of mortgage foreclosure home sales and evictions in certain states.

On September 17, 2010, GMAC Mortgage, LLC (GMACM), an indirect wholly owned subsidiary of Ally Financial Inc., temporarily suspended mortgage foreclosure home sales and evictions and postponed hearings on motions for judgment in certain states. This decision was made after a procedural issue was detected in the execution of certain affidavits used in connection with judicial foreclosures in some but not all states. The issue relates to whether persons signing the affidavits had appropriately verified the information in them and whether they were signed in the immediate physical presence of a notary. In response to this and to enhance existing processes, GMACM has recently implemented supplemental procedures that are used in all new foreclosure cases to seek to ensure that affidavits are prepared in compliance with applicable law. GMACM is also reviewing all foreclosure files in all states prior to going to foreclosure sale.

Our review related to this matter is ongoing, and we cannot predict the ultimate impact of any deficiencies that have been or may be identified in our historical foreclosure processes. However, thus far we have not found any evidence of unwarranted foreclosures. 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 file remediation and resubmission; claims from investors that hold securities that become adversely impacted by continued delays in the foreclosure process; actions by courts, state attorneys general or regulators to delay further the foreclosure process after submission of corrected affidavits; regulatory fines and sanctions; and reputational risks. If the magnitude of any negative impact related to the foregoing proves to be material, it could have an adverse affect on our business, results of operations, and financial position.

We may be required to repurchase mortgage loans or indemnify investors if we breach representations and warranties, which could harm our profitability.

When our mortgage subsidiaries sell mortgage loans through whole-loan sales or securitizations, we are required to make customary representations and warranties about the loans to the purchaser or securitization trust. These representations and warranties relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and warranties described above may be enforced at any time over the life of the loan. As the industry continues to experience higher repurchase requirements and additional investors begin to attempt to put back loans, a significant increase in activity beyond that experienced today, could have a material adverse affect on our business, results of operations, and financial position.

Certain of our mortgage subsidiaries face potential legal liability resulting from legal claims related to the sale of private-label mortgage-backed securitie s.

Claims related to private-label mortgage-backed securities (PLS) have been brought under federal and state securities laws (among other theories) and it is possible that additional similar claims will be brought in the future. The claims made to date are similar in some respects to the repurchase demands we have previously disclosed related to alleged breaches of representations and warranties our mortgage subsidiaries made in connection with mortgage loans they sold or securitized. Further, and as previously disclosed, the Federal Housing Finance Agency (FHFA), as conservator of Fannie Mae and Freddie Mac, announced on July 12, 2010, that it issued 64 subpoenas to various entities seeking documents related to PLS in which Fannie Mae and Freddie Mac had invested. Certain of our mortgage subsidiaries received such subpoenas. The FHFA has indicated that documents provided in response to the subpoenas will enable the FHFA to determine whether they believe issuers of PLS are potentially liable to Fannie Mae and Freddie Mac for losses they might have suffered. A final outcome in any existing or future legal proceeding related to the foregoing, if unfavorable, could result in additional liability, which could have a material adverse effect on our business, reputation, results of operations or financial condition.

PART II — OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 8th day of November 2010.

Ally Financial Inc.
(Registrant)

/s/ James G. Mackey
James G. Mackey
Interim Chief Financial Officer

/s/ David J. DeBrunner
David J. DeBrunner
Vice President, Chief Accounting Officer, and Corporate Controller

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INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10.1	Auto Finance Operating Agreement, entered into on August 6, 2010, between Ally Financial Inc. and Chrysler Group LLC*	Filed herewith.
10.2	Capital and Liquidity Maintenance Agreement, entered into on October 29, 2010, between Ally Financial Inc., IB Finance Holding Company, LLC, Ally Bank and the Federal Deposit Insurance Corporation	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.

The following exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liability of that Section. In addition, Exhibit No. 32 shall not be deemed incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Exhibit	Description	Method of Filing
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.

* Certain confidential portions have been omitted pursuant to a confidential treatment request that has been separately filed with the Securities and Exchange Commission.

Exhibit 10.1

CONFIDENTIAL TREATMENT

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

AUTO FINANCE OPERATING AGREEMENT

I. Parties

This Auto Finance Operating Agreement is made by and between the following parties as of April 30, 2009 (" Effective Date "):

A. Ally Financial Inc., formerly known as GMAC Inc., **(** " Ally " **)** and

B. Chrysler Group LLC (" Chrysler ").

II. Recitals

A. Chrysler manufactures, distributes, markets, and sells motor vehicles under various brands, including, " *Chrysler* ", " *Dodge* ", " *Jeep* ", *"RAM"* , and " *Mopar* ", and related goods and services (" Chrysler Products "), which are offered for sale to retail Consumers through a network of dealerships authorized by Chrysler (" Chrysler Dealers ").

B. Ally is a diversified financial services company that directly, and indirectly through its Subsidiaries, provides automotive and non-automotive finance and lease, insurance, banking, mortgage, lending, and other services to a variety of customers (" Ally Products ").

C. As part of its business, Ally:

1. Supports the sale of Chrysler Products by purchasing from Chrysler Dealers, at market rates and below market rates, motor vehicle retail installment sale contracts (" Retail Financing ") and motor vehicle lease contracts, including the underlying lease vehicle, (collectively, " Consumer Financing ");

2. Finances Chrysler Dealers' acquisition of motor vehicle inventory (" Inventory Financing ") and extend loans and other credit accommodations for working capital, equipment, and real estate (" Loans ", and, collectively with Inventory Financing, " Dealer Financing ") to Chrysler Dealers;

3. Makes available to Chrysler Dealers, remarketing and related auction services for the purchase and sale of used vehicles, including through proprietary internet auctions hosted by Ally, such as SmartAuction, (collectively, " Remarketing "); and

4. Makes available to Chrysler Dealers, insurance products and services, including vehicle inventory insurance, and other dealer insurance products and services, through Motors Insurance Corporation and its Subsidiaries (collectively, " Insurance ").

D. Subject to Section 5.2, Chrysler wants Ally to be Chrysler's preferred service provider of automotive financial services in the United States, and Ally wants to be Chrysler's preferred service provider of automotive financial services in the United States, in each case including the services listed in Recital C above, in each case under the terms and conditions of this Agreement.

Agreement

In consideration of the recitals above, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Chrysler and Ally agree as follows:

ARTICLE I DEFINITIONS

SECTION 1.1 **Definitions .** The words in this Agreement have the meanings usually and customarily ascribed to them in commercial contracts, except that the words defined below, or elsewhere in this Agreement, have the respective meanings ascribed to them as indicated.

(**a**) " Affiliated Entity " means an entity:

(i) That is a Subsidiary of a party to this Agreement; or

(ii) That owns a majority of the voting securities of a party to this Agreement; or

(iii) That Controls, is Controlled by, or is under common Control with a party to this Agreement.

(b) " Ally-Financed Dealer " means a Chrysler Dealer to which Ally provides Inventory Financing and/or Loans.

(c) " Application " means a credit application in a standard form developed or approved by Ally submitted by or on behalf of a Consumer in connection with the purchase or lease of a new or used Chrysler vehicle that a Chrysler Dealer submits for Ally's assessment and credit decision as to whether Ally would purchase a retail installment sale or lease contract that the Chrysler Dealer enters into with that Consumer, if the Dealer were to offer it for sale to Ally.

(d) " Approval " means Ally's credit decision that it would purchase a retail installment sale or lease contract, if a Chrysler Dealer decides to offer it for sale to Ally under the terms offered by that Chrysler Dealer as submitted (i.e., not subject to a change in the terms of the contract and/or fulfillment of one or more specific conditions such as additional down payment).

(e) " Business Day " means any day that is not a Saturday, Sunday or other day on which banks are required or authorized by law to be closed in Auburn Hills, Michigan or New York, New York.

(f) " Capital Markets Disruption " means circumstances where the global credit markets are such that credit is either not available or not available on commercially reasonable terms to borrowers with credit rating and business prospects similar to Ally for a period of three months or longer.

(g) " Confidential Information " means the terms and conditions of this Agreement and/or any information (including data developed from any such information) in any format that meets all of the following criteria:

(i) Chrysler, Ally, or their respective Representatives (each a " receiving party ") obtains the information from the other party or its Representatives (each a disclosing " disclosing party ") before or after the execution of this Agreement;

(ii) The information relates to the business or financial activities of the disclosing party or its Affiliated Entities; and

(iii) The information is made available to the receiving party solely to facilitate the receiving party's performance of this Agreement or otherwise as a result of the commercial relationship between Chrysler and Ally, or includes information relating to customers and dealerships, pricing, methods, operations, processes, trade secrets, credit programs, financial data, business and financial relationships, technical data, statistics, technical specifications, documentation, research, development or related information, computer systems, employees, and any results or compilations of the foregoing or is otherwise clearly and conspicuously labeled "confidential" on its face .

"Confidential Information" does not include any information that:

- Is or becomes publicly available by any means other than a breach of this Agreement;
- Was known by the receiving party before its receipt from disclosing party so long as the source of that information is not known to the receiving party to be prohibited by contract or applicable law from disclosing that information; or
- Is independently developed by the receiving party without using information from the disclosing party.

(h) " Confidential Personal Information " means all information about Consumers that are individuals, including names, addresses, telephone numbers, account numbers and lists thereof, and demographic, financial and transaction information for, such Consumers.

(i) " Consumer " means:

(i) An individual who acquires or seeks to acquire Chrysler Products at retail primarily for personal, family, or household purposes; or

(ii) A Person who acquires or seeks to acquire Chrysler Products at retail for business, commercial, or similar purposes.

(j) " Control ", " Controlled ", and derivatives thereof, mean, as to a Person, the direct or indirect power to direct the management and policies of that Person, whether through the ownership of voting securities, by contract, or otherwise.

(k) " Credit Tier " means a category of credit risk determined through Ally's proprietary risk scoring system.

(l) " FICO Score " means the standard consumer credit scoring system commonly used in the United States.

(m) " Governmental Authority " means any supranational, international, national, federal, state, or local court, provincial, government, department, commission, board, bureau, agency, official or other regulatory, administrative, or governmental authority.

(n) " Including ", " includes ", and derivatives thereof mean including or includes without limitation.

(o) " Law " means any federal, state, local, provincial, or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, agency requirement, judicial, agency or administrative opinion having the force of law, license or permit of any governmental authority, or common law.

(p) " OEM " means an original equipment manufacturer or distributor of passenger cars and light trucks, but in no event includes a Governmental Authority.

(q) " Person " means any individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any Government Authority.

(r) " Rate Support " means, with respect to financing incentives offered by Chrysler on retail installment sale contracts (including balloon contracts and any other similar products) that enable Consumers to

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obtain rates that are below the market rates, the difference between the Support Rate and the below-market rate.

(s) " Rate Support Subvention Program " means a Subvention Program involving Rate Support.

(t) " Repurchase Triggering Event " means any one or more of the following:

(i) [***].

(ii) [***].

(iii) [***].

(u) " Representatives " means directors, officers, employees and representatives of a party or its Subsidiaries and each of their respective agents, representatives, auditors, attorneys, and other professional advisors.

(v) " Subsidiary" means, as to a Person, another Person a majority of the voting securities of which are owned by that first Person.

(w) " Subvention Program " means programs in which Chrysler offers financial subsidies, incentives, capitalized cost reductions, or special terms, including interest free periods, in each case through a financial services company or bank conditioned upon the Consumer financing or leasing through a financial services company or bank to:

(i) Chrysler Dealers (excluding any programs in which Chrysler offers payments or subsidies to Chrysler Dealers directly and are not conditioned upon financing through a financial services company or bank).

(ii) Consumers, if such programs are conditioned upon financing or leasing through a financial services company or bank.

" subvented ", " subvene ", and their derivatives have similar meanings.

" Subvention Program " does not include a program in which Chrysler offers payments or subsidies to Chrysler Dealers directly or provides cash allowances or incentives (e.g., "cash on the hood"), in each case not through a financial services company or bank.

(x) " Support Rate " means the interest rate Ally offers to Chrysler when Chrysler wants to sponsor special financing rates to Consumers through a Rate Support Subvention Program.

(y) " Unsecured Exposure " means the aggregate amount of any and all financial exposure(s) of Ally and its Subsidiaries in the aggregate to Chrysler and its Subsidiaries in the aggregate that is not secured by a first priority perfected security interest or lien in favor of Ally (or the applicable Ally entity) against all of the assets of Chrysler, consisting of:

(i) Subvention Rate Support payments not yet invoiced by Ally;

(ii) Subvention Rate Support Payments invoiced by Ally, which are past due; ;

(ii) Guaranty obligations of Chrysler in favor of Ally, if any;

(iv) Gap insurance obligations of Chrysler, in favor of Ally, if any; and

(v) Other unsecured exposures as may be agreed between the parties from time to time (*e.g.*, lease subvention or residual support if agreed between the parties or as determined by the U.S. Coordinating Committee from time to time).

"Unsecured Exposure" does not include:

- Chrysler's obligations in connection with Subvention Programs, to the extent Ally has invoiced Chrysler for those amounts and they are not yet due;
- Chrysler's obligations in connection with the repurchase of Chrysler vehicles pursuant to Section 4.4 below; and
- Chrysler's obligations in connection with any bailment pool arrangements.

In addition, the following terms are used as defined in the specific sections of this Agreement specified below.

Term	Section
Ally License	11.1
Ally Products	Recitals
Alternative Volume	3.4(a)
Cap	9.1
Chrysler Dealers	Recitals
Chrysler License	11.2
Chrysler Marks	11.2
Chrysler Open Account	4.3(a)
Chrysler Products	Recitals
Compliance Review	10.1
Consumer Financing	Recitals
Current Dealer	5.2(a)
Dealer Financing	Recitals
Dealings	2.1(a)
Dispute	15.3
Force Majeure Condition	15.6
Initial Term	12.1
Implementing Agreement	2.1(e)
Indemnification Clause	13.1(a)
Indemnitee	13.1(a)(i)
Indemnitor	13.1(a)(ii)
Insurance	Recitals
Inventory Financing	Recitals
Lead Member	6.1(a)(iii)
Loans	Recitals
Notices	15.5
Operational Notices	15.5
Organizational Set Up	8.3
Remarketing	Recitals
Repurchase Triggering Event	4.4
Retail Contracts	3.3(b)
Retail Financing	Recitals
U.S. Coordinating Committee or Committee	6.1

ARTICLE II FRAMEWORK

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SECTION 2.1 **Contractual Framework** **.**

(a) This Agreement establishes the contractual framework for dealings between Chrysler and Ally in the United States, including Puerto Rico on a best efforts basis, related to Consumer Financing, Dealer Financing, Remarketing, and Insurance (individually and collectively " Dealings ").

(b) From time to time, at Chrysler's option and upon reasonable advance notice to Ally, Chrysler may designate as " Chrysler Products " any motor vehicles sold under a brand of Fiat Group Automobiles S.p.A. and distributed through Chrysler Dealers, in which case this Agreement will apply to such vehicles.

(c) Each party will each use commercially reasonable efforts to cause its respective Subsidiaries in the United States, Canada, Mexico, as applicable, to agree to be bound by the terms of this Agreement to their dealings by executing one or more Opt-in Agreements in substantially the form attached to this Agreement as Exhibit A.

(i) Upon execution of an Opt-in Agreement, the Subsidiary accedes to the rights, benefits and obligations of this Agreement, with those specific modifications, exceptions or additions set forth in a particular Opt-in Letter as necessary or appropriate to reflect operating and financing conditions in the relevant local market.

(ii) If a Subsidiary ceases to be a Subsidiary of a party, then the other party may terminate all rights and obligations with respect to that former Subsidiary effective on 60 days' prior notice.

(iii) The parties may from time to time agree on the inclusion of their respective Subsidiaries in additional markets into this Agreement, the inclusion of which will be evidenced by the execution and delivery by such Subsidiaries of additional Opt-in Agreements.

(d) Nothing in this Agreement precludes Ally from providing or continuing to provide any financial services to OEMs other than Chrysler or dealers other than Chrysler Dealers, or from providing or continuing to provide insurance, mortgage, banking, or other non-automotive financial services.

(e) The specific terms and conditions related to individual Dealings in the United States that are not captured by this Agreement, or as to which the parties mutually agree to provide for more specific terms as to a specific transaction, series of transactions, or type of transaction, will be the subject of separate agreements (each an " Implementing Agreement "), and unless Ally and Chrysler specifically agree otherwise, including in such Implementing Agreement, this Agreement controls to the extent of any direct conflict between this Agreement and any such Implementing Agreement.

(f) Chrysler and Ally will reasonably cooperate with one another and assist the other in carrying out the other's obligations under this Agreement and will execute and deliver documents and instruments reasonably necessary and appropriate to do so.

(g) The terms of this Agreement are intended to preserve the customer loyalty and dealer support benefits that would accrue to Chrysler as an OEM with an exclusive financing affiliate, while at the same time assuring that Ally receives a competitive level of return.

(h) Ally recognizes Chrysler's desire to grow its automotive business and will continue to support Chrysler in that effort to the extent that it is consistent with Ally's business interests.

(i) [***].

[***].

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

ARTICLE III CONSUMER FINANCING

SECTION 3.1 General Service Obligations .

(a) In the United States, Ally will provide full and fair consideration to Applications spanning a broad spectrum of prime and nonprime Consumers received from a Chrysler Dealer with whom Ally has a Retail Financing relationship, applying credit risk underwriting standards consistent with its general practices for Consumer Financing, and will purchase such contracts, if appropriate in Ally's sole discretion in accordance with its usual and customary standards for creditworthiness, subject to applicable safety and soundness standards .

(b) Ally's decision whether to provide Consumer Financing to any Consumer will be made in its sole and absolute discretion and pursuant to its business judgment, without any influence by Chrysler (but this does not prohibit Chrysler from communicating with Ally about any aspect of Ally's performance as a financial service provider under the Agreement).

(c) Ally will provide assistance to Chrysler Dealers with whom Ally has a Retail Financing relationship to finalize Consumer contracts related to Consumer Financing, consistent with its general practices as discussed from time to time with the U.S. Coordinating Committee.

(d) Ally will actively work to facilitate the ease of doing business, completing transactions, and minimizing and resolving disputes with Chrysler, Chrysler Dealers, and Consumers, in each case consistent with its general practices as discussed from time to time with the Coordinating Committee.

(e) Ally will not take any measures that are inconsistent with market practice that reduce the likelihood that Consumers will seek to finance purchases through Ally (e.g., through onerous application fees, etc).

SECTION 3.2 Subvention Programs .

(a) Chrysler will, in its sole discretion, set all terms and conditions of all Subvention Programs, including Consumer eligibility, program dates, covered Chrysler Products, base prices of Chrysler Products eligible for Subvention, applicable Consumer credit tiers, lending duration of offered Consumer Financing products (*e.g.* , 36 months, 60 months, etc.), and geography, and a Subvention Program may contain any terms and conditions (*e.g.* , it may relate to one or more Chrysler Products, one or more Chrysler brands, and one or more Consumer credit tiers), in each case subject to Section 3.2(a)(i) and (a)(ii) below.

(i) Chrysler will not design a Subvention Program that contains more than one type of underlying financial product (*e.g.* , a single Subvention Program may not contain both lease and retail installment sale contract products), however nothing in this Agreement restricts Chrysler from operating several Subvention Programs at any particular time or offering Consumers a choice between alternative Subvention Programs; and

(ii) Chrysler will not intentionally design a Chrysler Subvention Program with the intent of excluding Ally's participation in such Subvention Program, but Chrysler will not be restricted from operating a Subvention Program on the basis that Ally has indicated an inability or unwillingness to participate in such a Subvention Program or, in fact, does not participate in such a Subvention Program.

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(b) Chrysler will use commercially reasonable efforts to inform Ally, including by e-mail or other electronic means, of all Subvention Programs at least five Business Days before the scheduled start date (except for routine special rate and special residual support changes, notice of which may be given one Business Day before the scheduled start date).

(i) If Chrysler does not provide Ally at least five Business Days' notice of such a Subvention Program, Ally will nevertheless use commercially reasonable efforts to implement that Subvention Program to the extent reasonably and practically possible under the circumstances.

(ii) After receipt of notice of such a Subvention Program, Ally will notify Chrysler as promptly as practicable if Ally is unwilling or unable to implement or participate in that Subvention Program.

(iii) If Ally cannot implement a Subvention Program concept as proposed by Chrysler, then Chrysler and Ally will reasonably cooperate to find a workable solution, if any, but:

(A) Ally is not bound to participate in such Subvention Program; and

(B) Chrysler is not bound to modify its proposed Subvention Program concept in order to accommodate Ally's participation.

(c) Chrysler will solicit input from Ally as to individual Subvention Programs and will consult in good faith with Ally as to the terms and conditions of individual Subvention Programs to facilitate Ally's ability to provide Retail Financing to support Chrysler's business, but Chrysler is not bound to implement or modify the terms of any particular proposed Subvention Program in response to Ally's input and will remain free, subject to Chrysler's specific obligations in this Agreement, to design and implement Subvention Programs in its discretion.

(d) Chrysler will allow Ally to participate in any and all Subvention Programs on a side-by-side basis with any and all other financing sources.

SECTION 3.3 **Exclusivity and Related Terms for Rate Support Subvention Programs.** Whenever Chrysler offers Rate Support Subvention Programs, it will do so through Ally on a semi-exclusive basis as follows:

(a) Before November 1, 2009, Chrysler may offer Subvention Programs through third parties, so long as it simultaneously offers Ally the opportunity to participate in those Subvention Programs on a side-by-side basis.

(b) From November 1, 2009 through April 30, 2010, the aggregate number of retail installment sale contracts, balloon contracts, and any other similar products (individually and collectively, " Retail Contracts ") dated and booked during this period under Rate Support Subvention Programs that Chrysler offers through Ally exclusively must equal [***] of the total number of Retail Contracts dated and booked under all Rate Support Subvention Programs offered during that time period (i.e., Chrysler must use Ally exclusively for [***] of its subvented Rate Support business and may use Ally non-exclusively for [***] of its subvented Rate Support business), subject to Section 3.4 below (" Initial Threshold ").

(c) Starting May 1, 2010, the aggregate number of Retail Contracts booked under Rate Support Subvention Programs that Chrysler offers through Ally exclusively must equal [***] of the total number of Retail Contracts booked under all Rate Support Subvention Programs offered by Chrysler (i.e., Chrysler must use Ally exclusively for [***] of its subvented Rate Support business and may use Ally non-exclusively for [***] of its subvented Rate Support business), subject to Sections 3.4

below, measured on a quarterly basis ("[***] Threshold " and, together with the Initial Threshold, the " Exclusivity Thresholds ").

(d) Chrysler's compliance with the Exclusivity Thresholds will be reported to and assessed by the Coordinating Committee on a calendar quarterly basis, with compliance during any calendar quarterly periods in which an Exclusivity Threshold applied in part only (*i.e.*, the quarterly period ending December 31, 2009) or in which more than one Exclusivity Threshold applied (*i.e.*, the quarterly period ending June 30, 2010) being determined on the basis of a weighted average of the Retail Contracts dated and booked during the calendar quarterly periods.

(e) Chrysler will provide to the Coordinating Committee information reasonably sufficient to determine Chrysler's compliance with Sections 3.3(b) and (c) above within the following timeframes:

(i) For the Initial Threshold: by the first Coordinating Committee meeting in August, 2010.

(ii) For the [***] Threshold: at the first meeting of the Coordinating Committee occurring after the end of each calendar quarter for Retail Contracts dated within, and booked to, the quarter that just ended.

(f) The Coordinating Committee for each individual market (US, Canada, and Mexico) will use commercially reasonable efforts to develop and to implement a business plan to achieve the [***] Threshold for each individual market (United States, Canada, and Mexico).

(i) The business plan will include guidelines for the parties' operational implementation and timelines for achieving the Exclusivity Threshold by individual market (United States, Canada, and Mexico).

(ii) Any failure to develop and implement the plan does not relieve Chrysler of its obligations under this Section 3.3.

SECTION 3.4 Capital Markets Disruption. Ally and Chrysler will reasonably and mutually determine whether a Capital Markets Disruption has occurred, and if so, when it ends.

(a) If Ally and Chrysler have agreed that Capital Markets Disruption has occurred, and [***], then:

(i) Chrysler's obligations under Section 3.3(b) or 3.3(c) above, as applicable, are suspended, and Chrysler may offer that Rate Support Subvention Program(s) on terms consistent with those offered to Ally through one or more third parties on a temporary basis, so long as the terms and conditions are consistent with those offered to Ally, (" Alternative Volume ") until Ally has notified Chrysler that the Capital Markets Disruption has ended.

(ii) Upon 30 days' notice to Chrysler that it is able or willing to do so, Ally may participate in such Rate Support Subvention Program on a side-by-side basis with any other financial services provider that has previously agreed to participate in such Rate Support Subvention Program, but any Alternate Volume will not be counted against the applicable Exclusivity Threshold(s).

(b) Upon Ally's notice that the Capital Markets Disruption has ended, Chrysler's exclusivity obligations under Section 3.3(b) or 3.3(c) above, as applicable, are automatically and immediately reinstated six months from the date of Ally's notice that the Capital Markets Disruption has ended, and from that time any and all Alternative Volume will be counted against the applicable Exclusivity Threshold(s).

(c) If Ally and Chrysler have not agreed that a Capital Markets Disruption has occurred (i.e., Ally and Chrysler believe that no Capital Markets Disruption has occurred or only one believes it has occurred), and [***], then:

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(i) [***];

(ii) [***].

(iii) [***];

(iv) [***].

SECTION 3.5 **Rate Support.** For Rate Support Subvention Programs:

(a) Rate support pricing is based on a [***] methodology, [***].

(i) Ally represents to Chrysler that:

(A) Ally will determine rate support pricing using a base rate calculated consistent with certain of its pre-existing relationships with other OEMs.

(B) The Support Rate will not exceed in any case [***].

(ii) Ally will adjust the formula for the calculation of [***].

(iii) Ally will be transparent in pricing methodology to Chrysler (including formula and parameters), but Ally has no obligation to reveal information specific to any other OEMs with which Ally does business.

(A) On an annual basis, Ally will review its rate support pricing methodology with Chrysler, subject to the terms of this Agreement.

(B) On a quarterly basis, Ally will advise the Coordinating Committee of any changes in rate support pricing methodology, subject to the terms of this Agreement.

(b) Ally will establish the Support Rates.

(i) Ally may vary the applicable Support Rate by factors that [***], in each case consistent with its obligations under Section 3.5(a)(i)(B), (ii), and (iii).

(ii) The parties expect that Support Rates will be in effect for a month at a time, however, Ally may change the Support Rate during a calendar month upon at least fourteen calendar days' notice to Chrysler before the effective date of the change.

(c) Chrysler will pay to Ally the amount of any Rate Support:

(i) Discounted to present value at the applicable Support Rate; and

(ii) Further discounted for expected pre-payments.

(d) For each month that a Rate Support payment is due to Ally:

(i) Ally will send Chrysler an invoice by the fifth business day of the following month indicating the amount of Rate Support payment for the immediately preceding month (*e.g.* , Ally will send Chrysler an invoice by December 7, 2009 for a Rate Support payment owed for contracts booked in November 2009).

(ii) Chrysler will pay Ally the full invoice amount, without setoff, recoupment, or any other deduction (regardless of whether Chrysler disagrees with the invoice amount), by the 18th calendar day of the month, or if the 18th calendar day is not also a Business Day, then by the Business Day that next follows the 18th calendar day.

(iii) If Chrysler disagrees with the invoice amount, then subject to Section 3.5(d)(ii) above, it may invoke the Dispute resolution process under Section 15.3 of this Agreement for any disputed portion of the invoiced amount.

SECTION 3.6 Leases .

(a) Ally has no obligation to offer incentivized or standard leases for Chrysler Products.

(b) [***].

(c) [***].

(d) [***].

(e) [***].

ARTICLE IV DEALER FINANCING

SECTION 4.1 General Service Obligations .

(a) In the United States (including Puerto Rico on a best efforts basis), Ally will provide full and fair consideration of any application for Dealer Financing received from a Chrysler Dealer, applying commercial lending credit risk underwriting standards consistent with Ally's general practices for Dealer Financing and will provide Dealer Financing to the Chrysler Dealer, if appropriate in Ally's sole discretion in accordance with its usual and customary commercial lending standards, subject to safety and soundness requirements and, absent a default by the dealer, the minimum guidelines described in **Exhibit B** of this Agreement, at the rate of return that Ally considers to be appropriate under the circumstances.

(b) Ally's decision whether to provide Dealer Financing to any Chrysler Dealer will be made in Ally's sole and absolute discretion and pursuant to its business judgment, without influence by Chrysler (but this does not prohibit Chrysler from communicating with Ally about Ally's performance under this Agreement or any other matter).

(c) Nothing in this Agreement requires either Chrysler or Ally in its respective good faith business judgment to support the other party or any Ally-Financed Dealer in resolving any disputes or claims, but rather each party is permitted to support the other if, and to the extent, it wants to do so.

(d) Chrysler will use reasonable efforts to facilitate a positive relationship between Ally and Chrysler Dealers and in particular, to promote its association with Ally to Chrysler Dealers and seek to create an awareness among Chrysler Dealers of benefits available to them by dealing with Ally.

(e) Nothing in this Agreement affects Chrysler's rights or obligations as to any Chrysler Dealer, or Ally's rights or obligations as to any Ally-Financed Dealer.

(f) Nothing in this Agreement is intended to permit Ally, or to create a right in Ally, to influence any act or omission by Chrysler as manufacturer, seller, and distributor of Chrysler Products to Chrysler Dealers, or to permit Chrysler, or create a right in Chrysler, to influence any act or omission by Ally as a provider of Dealer Financing to Chrysler Dealers.

SECTION 4.2 Chrysler Dealer Information.

(a) [***].

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(b) Subject to requirements of applicable Law, Chrysler and Ally will:

(i) Cooperate in promptly providing information to, and consulting with, each other in good faith with regard to the operating and financial condition of Ally-Financed Dealers identified by Chrysler or Ally as “troubled dealers”, for the purpose of identifying potential problems, promoting solutions, and minimizing risks to Chrysler and Ally.

(ii) Use commercially reasonable efforts to notify the other party before implementing any decision terminate its relationship with an Ally-Financed Dealer.

(iii) Upon request from the other party, use commercially reasonable efforts to provide reasonable assistance in resolving issues with Ally-Financed Dealers, including default and litigation situations, inventory restrictions, suspensions or terminations, requests to divert inventory to other Chrysler Dealers to the extent possible or practicable, options to repurchase new vehicle inventory, and assignment of funds due from Chrysler, subject to the provisions of this Agreement.

SECTION 4.3 **Security Enhancements .** Chrysler will not prohibit Chrysler Dealers from providing guaranties and/or additional security or credit enhancements to Ally, including granting a security interest in accounts payable owed by Chrysler to Chrysler Dealers.

SECTION 4.4 **Vehicle Repurchase.** Upon a Repurchase Triggering Event as to a Chrysler Dealer, Chrysler will repurchase [***], subject to the following terms and conditions:

(a) Chrysler’s obligation to repurchase inventory from a Chrysler Dealer under this Agreement does not apply to any vehicles meeting the following conditions, unless otherwise required under applicable state franchise law:

(i) [***].

(ii) [***]:

A. [***]

B. [***].

(iii) [***].

(b) The periods for Chrysler’s repurchase obligation under this Agreement are as follows:

[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

(c) [***].

(d) [***].

(e) [***].

(f) [***].

(g) [***].

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(h) [***].

(i) [***].

(j) [***].

ARTICLE V OTHER SERVICES

SECTION 5.1 Remarketing . Ally will make Remarketing services available to Chrysler Dealers, subject to and in accordance with Ally's eligibility criteria and other applicable policies.

SECTION 5.2 [***]:

(a) [***].

(b) [***].

(c) [***].

SECTION 5.3 Marketing, Promotion, and Advertising . Chrysler and Ally will offer each other the following marketing, promotional, and advertising services, subject to mutually agreeable terms and conditions, including costs, outlined in Implementing Agreements.

(a) As to Consumer Financing:

(i) Chrysler will include references to "Ally", and/or "Ally Bank" (as determined by Ally) where appropriate in Chrysler's advertising and marketing materials for Subvention Programs in which Ally participates.

(ii) Chrysler will give good faith consideration to Ally for future affinity-related financial services opportunities (*e.g.* , credit card programs).

(iii) Chrysler will offer Ally opportunities to include messages about Ally products and programs in Chrysler mailings to customers.

(iv) Ally will offer Chrysler opportunities to include messages about Chrysler Products and programs on billing statements sent to Ally's Chrysler customers.

(v) Chrysler will offer Ally opportunities to participate in appropriate international, national, regional, and local promotional events sponsored by Chrysler or with which Chrysler is affiliated.

(vi) Chrysler and Ally may each offer the other's employees opportunities to participate in certain marketing programs directed at their own employees.

(vii) Ally and Chrysler will offer each other opportunities to place on their respective websites weblinks to the other's public websites, so long as the linked websites are appropriately branded, and the landing page of the Ally linked website does not include links to a website of any other OEM.

(viii) Ally and Chrysler will handle customer inquiries and complaints about Subvention Programs in which Ally participates, and/or about Chrysler Products that are properly addressed by the other party by forwarding them in a timely and professional manner to the relevant department of the other party for resolution.

(b) As to Dealer Financing Chrysler will:

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(i) Provide Ally reasonable access to Chrysler Dealers to enable Ally to train Chrysler Dealers about Ally products at Ally's sole cost.

(ii) Allow Ally to participate reasonably in Chrysler-produced or Chrysler-sponsored publications for employee or external audiences.

(iii) Allow Ally to provide to Chrysler Dealers information about Ally Products and provide Ally reasonable access to Chrysler Dealers through Chrysler websites and other appropriate Chrysler systems for Chrysler Dealers.

(iv) Assist Ally in administering and promoting of programs to provide incentives to Chrysler Dealers to use and promote Ally Products.

(v) Allow Ally to participate reasonably in planning and communicating programs pertaining to Chrysler Dealers.

(c) Ally and Chrysler will make joint sales contacts with Chrysler Dealers, customers, and potential customers for fleet and small business sales, as appropriate with a view to expanding fleet and small business sales profitably.

(d) Chrysler will notify Ally about, and will offer Ally reasonable opportunity to participate in, and receive any written materials provided at, scheduled local, regional, and/or national meetings of Chrysler Dealers, subject to the following:

(i) Chrysler may in its good faith business judgment determine that:

(A) Ally's attendance is not appropriate for a specific portion of any meeting or specific agenda item(s) in a meeting.

(B) Ally's receipt of certain written materials is not appropriate, in which case Ally will not attend such portions of the meeting or receive such materials.

(ii) In its discretion, Chrysler may provide Ally with notice of, and an opportunity to attend other meetings pertaining to, marketing plans, incentive strategies, or tactics.

ARTICLE VI COORDINATING COMMITTEE

SECTION 6.1 Coordinating Committee . Chrysler and Ally hereby create a committee to be responsible for considerations around joint policies and programs and coordination of joint activities between them and to serve as the initial arbiter of disputes that cannot be resolved between the parties at the operating level (" Coordinating Committee " or " Committee ").

(a) The total membership of the Coordinating Committee will be between six and ten, as agreed from time to time by the Committee.

(i) Each of Chrysler and Ally will designate an equal number of Committee members, and each may designate up to five ad hoc members.

(ii) Members and ad hoc members will be employees of Chrysler (or an affiliate of Chrysler) and Ally, respectively, with a reasonable degree of decision-making authority in order to facilitate prompt and efficient resolution of matters before the Committee, unless the Committee agrees otherwise.

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(iii) Each of Chrysler and Ally will designate one of their Committee members to be the lead member, who will be the principal point of contact and coordination outside of formal Committee meetings (" Lead Member ").

(iv) Additional guests with applicable expertise may attend meetings by invitation of the Committee.

(v) Schedule I lists the initial members, initial Lead Members, and other initial member designations by Chrysler and Ally to the Committee.

(b) The Committee will appoint one of its members as the Committee Chair for purposes of coordinating meeting discussions, and the position of Chair will rotate between members designated by Chrysler and members designated by Ally each May 1, unless otherwise agreed by the Committee.

(c) The Committee will appoint one of its members as Secretary of the Coordinating Committee and the position of Chair will rotate between members designated by Chrysler and members designated by Ally each May 1, unless otherwise agreed by the Committee.

(i) If a Chrysler member is the Committee Chair, then the Secretary will be an Ally member, and if an Ally member is the Committee Chair, then the Secretary will be a Chrysler member.

(ii) The Secretary will, among other things:

(A) Work with the Lead Members to prepare an agenda for each meeting;

(B) Prepare minutes of meetings, which will be circulated to the Lead Members for approval in advance of being finalized and distributed to the Committee and ad hoc members; and

(C) Establish an annual calendar of regular meetings.

(d) The Committee will hold regular meetings on a monthly basis.

(i) Each Lead Member may call a special meeting of the Committee, as deemed appropriate.

(ii) Attendance at any meeting may be by telephone.

(iii) At least two members from each of Chrysler and Ally are necessary for a quorum at any regular or special Committee meeting.

(iv) If the person then designated as Chair or Secretary is not present at any meeting, replacement(s) may be established for purposes of that meeting.

(e) Committee decisions will be by consensus; i.e., Chrysler members collectively have one "vote" and Ally members collectively have one "vote", with consensus required for action to be taken.

(f) The Committee will conduct an ongoing review of the parties' joint and independent efforts under this Agreement.

ARTICLE VII INFORMATION REPORTS

SECTION 7.1 [***]:

(a) [***].

(b) [***].

(c) [***].

(d) [***]:

  (i) [***];

  (ii) [***]

  (iii) [***].

(e) [***].

(f) [***].

  (i) [***].

  (ii) [***].

(g) [***].

(h) [***].

ARTICLE VIII OPERATING PRINCIPLES

SECTION 8.1 Credit Policies . Ally will provide Consumer Financing and Dealer Financing services contemplated by this Agreement under its credit policies.

(a) Ally's credit policies are the sole responsibility, and under the sole control, of Ally.

(b) Upon Chrysler's reasonable request, Ally will provide to Chrysler copies of Ally's credit policies currently in effect at the time of the request.

SECTION 8.2 Risks .

(a) Subject to Ally's credit policies and the terms below, Ally (as opposed to Chrysler) will provide any financing and funding for the Consumer Financing and Dealer Financing services contemplated by this Agreement and will bear all risks in connection with these services, including credit risk and residual value risk, unless Ally and Chrysler expressly agree otherwise.

(b) Any financing and funding by Ally for the Consumer Financing and Dealer Financing services contemplated by this Agreement will be on a non-recourse basis as to Chrysler, excluding Chrysler's vehicle repurchase obligations under this Agreement and/or applicable Law, and Chrysler will not bear the credit risk for the financing and funding, in each case unless otherwise mutually agreed (*e.g.* , in connection with a specific Subvention Program).

SECTION 8.3 Organizational Set-up . In recognition of the fact that a long-term major customer of Ally is a principal competitor of Chrysler, Ally will work with Chrysler in good faith to develop mutually agreeable customized service arrangements (collectively " Organizational Set-up ").

(a) Ally and Chrysler will work in good faith to agree on a plan for implementing the Organizational Set-up, including milestones and "deliverables", and any cost-sharing.

(b) As part of the Organizational Set-up efforts, Ally will transition to a dedicated Chrysler sales force in Ally's metro markets and other regions, as agreed by Ally and Chrysler, including any exceptions (*e.g.* , multi-franchise operators).

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

(c) As part of the Organizational Set Up Efforts, if Ally maintains a company car fleet for its employees, then Ally will use commercially reasonable efforts to incorporate Chrysler motor vehicles into such fleet, and as to any such company car fleet.

(i) Ally will use commercially reasonable efforts to have the proportion of Chrysler vehicles in any such fleet be at least proportional to the outstandings of Ally's Chrysler Retail Financing portfolio as compared with the Retail Financing portfolios of other OEMs, so long as Chrysler provides pricing discounts that are substantially similar to, or better than, its volume-incentive program in effect as of June 30, 2010.

(ii) Notwithstanding any contrary provision in this Agreement, Ally is not obligated to maintain a company car fleet for its employees.

(d) Ally will use commercially reasonable efforts to provide the Consumer Financing, Dealer Financing, Remarketing, and Insurance services contemplated by this Agreement using a name other than "GMAC", in each case as soon as reasonably practical.

SECTION 8.4 [***].

SECTION 8.5 **Form of Customer Agreements .** The form and content of all Dealer Financing, Consumer Financing, Remarketing, Insurance and other agreements and documents with Chrysler Dealers and Chrysler Consumers are in Ally's sole discretion and responsibility.

SECTION 8.6 [***]:

(a) [***].

(b) [***].

ARTICLE IX UNSECURED EXPOSURE CAP

SECTION 9.1 [***].

(a) [***].

(b) [***].

(c) [***].

(d) [***]:

(i) [***].

(ii) [***].

ARTICLE X AUDITS BY THE PARTIES

SECTION 10.1 **Review Rights .** Upon at least three Business Days' prior notice from one party, the other party will provide reasonable access, during regular business hours, to its files, books, and records pertaining to the services contemplated by this Agreement for the purpose of confirming the other's compliance with this Agreement (" Compliance Review ").

(a) Neither Ally nor Chrysler is entitled to perform a Compliance Review more than once in any six month period, except that if Chrysler breaches Section 3.3(b) or 3.3(c), or if Ally breaches Section 3.5(a) or Section 8.6, then in each case the non-breaching party may perform a Compliance

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Review once every 30 days to audit compliance with those provisions but only until such time as a Compliance Review demonstrates to the non-breaching party's reasonable satisfaction that such breach has been cured.

(b) Each Compliance Review will be limited in duration, manner, and scope reasonably necessary and appropriate to confirm compliance with this Agreement.

(c) Neither Ally nor Chrysler is obligated to provide any access or information, if it would violate any obligation of confidentiality or applicable Law or other legal restriction, but in such cases the parties will reasonably cooperate to facilitate independent third party expert review, to the extent reasonably and legally possible, of any information relevant to any provisions of this Agreement that may otherwise be subject to any such Law or other legal restriction.

(d) Compliance Audits by either party must be conducted by individuals who have sufficient knowledge and expertise regarding the matters being audited.

(e) Neither Chrysler nor Ally is required to "train" the other's auditors regarding the matters being audited.

ARTICLE XI INTELLECTUAL PROPERTY LICENSES

SECTION 11.1 License of Ally Name, Logo, Trademark . Effective upon Ally's notice to Chrysler, Ally hereby grants to Chrysler a royalty-free, non-exclusive, non-transferable sublicense to use and display the "Ally" name, logo, and trademark, (individually and collectively "Ally Marks") in performing the services contemplated by this Agreement and otherwise in connection with Chrysler's business related to Ally and/or Ally Bank (" Ally License ").

(a) Chrysler will not, during the term of this Agreement or thereafter:

- **(i)** Attack the validity of the Ally Marks.
- **(ii)** Do or permit to be done any act or thing that will in any way impair the rights of Ally as to the Ally Marks.
- **(iii)** Attempt to register the Ally Marks alone or as part of its own trademarks.
- **(iv)** Use or attempt to register any marks confusingly similar to the Ally Marks.

(b) Chrysler may sublicense its rights under this Agreement to use any of the Ally Marks for purposes related to the performance of its obligations under this Agreement, but any such sublicense terminates upon the termination of this Agreement, except to the extent necessary to comply with Section 12.1(c) below.

(c) Chrysler will use and display the Ally Marks only in the form, color, dimension, and manner approved by Ally.

(d) The Ally License terminates when this Agreement expires or terminates, except to the extent necessary to comply with Section 12.1(c) below.

SECTION 11.2 License of Chrysler Names, Logos, Trademarks . Chrysler hereby grants to Ally a royalty-free, non-exclusive, non-transferable sublicense to use and display the " *Chrysler* ", " *Dodge* ", " *Jeep* ", " *Mopar* ", and " *RAM* " names, logos, and trademarks, and the Pentastar logo and trademark, (individually and collectively " Chrysler Marks ") in performing its obligations under this Agreement and otherwise in connection with Ally's business related to Chrysler (" Chrysler License ").

(a) Ally will not, during the term of this Agreement or thereafter:

(i) Attack the validity of the "Chrysler" trademark.

(ii) Do or permit to be done any act or thing which will in any way impair the rights of Chrysler as to any "Chrysler" trademark.

(iii) Attempt to register "Chrysler" trademarks alone or as part of its own trademarks.

(iv) Use or attempt to register any marks confusingly similar to any " *Chrysler* " trademark.

(b) Ally will use and display the Chrysler Marks only in the form, color, dimension, and manner approved by Chrysler.

(c) Ally may sublicense its rights under this Agreement to use any of the Chrysler Marks for purposes related to the performance of its obligations under this Agreement, but any such sublicense terminates upon the termination of this Agreement, except to the extent necessary to comply with Section 12.1(c) below.

(d) The Chrysler License terminates when this Agreement expires or terminates, except to the extent necessary to comply with Section 12.1 (c) below.

ARTICLE XII TERM AND TERMINATION

SECTION 12.1 **Term and Termination .** The initial term of this Agreement is four years starting April 30, 2009 and expiring April 30, 2013, and the term renews automatically for successive one year terms, unless either Chrysler or Ally notifies the other in writing at least twelve months before the end of the Initial Term or any renewal term that it does not want to renew the Agreement.

(a) Notwithstanding the foregoing, the duration of Implementing Agreements will be governed by provisions concerning term and termination contained in such Implementing Agreements.

(b) This Agreement may be terminated as follows:

(i) The non-breaching party may terminate this Agreement upon a breach by the other party that materially affects the non-breaching party reasonably anticipated benefits under this Agreement, and such breach, if curable, is not cured within 30 days of receipt of written notice from the non-breaching party;

(**ii**) Chrysler may terminate this Agreement at any time upon written notice to Ally, if Ally becomes, or if Ally Controls, is Controlled by, or is under common Control with, an OEM that competes with Chrysler. This termination right will not be triggered solely by common Control attributable to Ally and such OEM currently, or during the term of this Agreement, being under the common Control of the United States government or any part of the United States government (for example, if Ford Motor Company comes under United States government Control, that fact alone would not trigger Chrysler's right to terminate this Agreement, but, for example, if General Motors LLC were to acquire Control of Ally, that fact would trigger such right.)

(iii) The parties may mutually agree to terminate this Agreement.

(c) Upon the expiration or termination of this Agreement for any reason, Chrysler and Ally will:

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

(i) To the extent reasonably requested by the other, fully cooperate in any transfer of any servicing functions contemplated by this Agreement to a third party; and

(ii) Complete performance of any pending, "in-progress" obligations according to such standards, including confidentiality, security and accuracy, as were in effect under this Agreement prior to its termination and compensate each other for such services to the same extent as if such services had been performed during the Term of this Agreement.

(d) The provisions of Article XIII and Article XIV survive the expiration or termination of this Agreement and remain in force and effect for three years following such termination or expiration, and Section 4.4 survives the expiration or termination of this Agreement in accordance with Section 4.4(j).

ARTICLE XIII INDEMNIFICATION, LIABILITIES, AND REMEDIES

SECTION 13.1 Indemnification . Recognizing that if Chrysler or Ally is the subject of a third party legal or enforcement action (regarding, for example in the case of Ally, credit decisions, credit documentation, and financing activities within Ally's responsibilities, and for example in the case of Chrysler, product warranty, product liability, and manufacturing and distribution activities within Chrysler's responsibilities), the other may be named in the action also because of the parties' relationship under this Agreement:

(a) Chrysler and Ally, respectively, will indemnify the other party's and the other party's Subsidiaries; directors; officers; employees; and representatives, in each case, in their capacities as such, against any and all damages, claims, causes of action, losses, and/or other liabilities incurred and arising from such party's business or operations (*i.e.* , in the case of Ally where the liabilities are primarily and traditionally are Ally's as a financial services provider and in the case of Chrysler, where the liabilities are primarily and traditionally are Chrysler's as a manufacturer), in each case to the extent related to a third party legal or enforcement action (" Indemnifiable Claim ").

(i) The party seeking indemnification (" Indemnitee ") must notify the other party of any third party action that may be an Indemnifiable Claim brought against the Indemnitee as promptly as reasonably practical; however, any failure to provide such notice does not relieve the indemnifying party from its indemnity obligations under this Agreement.

(ii) The party from whom indemnification is sought (" Indemnitor ") may assume full control of the defense of the Indemnifiable Claim.

(iii) If the Indemnitor does not assume control of the defense of the Indemnifiable Claim within a reasonable time of receiving notice of it from the Indemnitee and Indemnitee is prejudiced by such delay, then the Indemnitee may assume control of the defense of it, with full recourse against the Indemnitor for all costs and expenses incurred in connection with the defense and/or settlement of the Indemnifiable Claim.

(iv) The Indemnitee and Indemnitor will reasonably cooperate with each other in defense of the Indemnifiable Claim, regardless of which party has assumed control of the defense of it.

(v) Neither the Indemnitee nor the Indemnitor may settle any third party claim related to the services provided under this Agreement without the prior written consent of the other party, which will not be unreasonably withheld, and without obtaining the unconditional release of the other party from all liability to the third claimant(s).

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

(b) If the indemnifiable damages, claims, causes of action, losses, and/or other liabilities arise out of the parties' joint activities, then the parties will apportion the damages, claims, causes of action, losses, and/or other liabilities in good faith and in a fair manner under the circumstances.

SECTION 13.2 Limitation on Liability . Neither party will be liable to the other party:

(a) In tort, except for gross negligence or willful misconduct.

(b) For equitable claims (but not including equitable remedies).

(c) For claims arising out of any contract with any customer, dealer, or other third party or otherwise in connection with their relationship with such Persons.

SECTION 13.3 Limitation on Damages . Neither party is liable under this Agreement for any:

(a) Damages caused by a Force Majeure Condition as defined in Section 15.6 below; or

(b) Indirect, incidental, consequential, or non-economic damages.

SECTION 13.4 Equitable Remedies . Nothing in this Agreement restricts either party's ability to seek equitable remedies (as distinguished from claims), including specific performance of a party's obligations under this Agreement.

SECTION 13.5 Cumulative Remedies . Each party's rights and remedies under, and/or in connection with, this Agreement are cumulative and may be exercised singly, concurrently, and/or successively in the exercising party's sole, absolute discretion.

ARTICLE XIV CONFIDENTIALITY

SECTION 14.1 Nondisclosure of Confidential Information . Neither party will use or disclose any Confidential Information of the other party or the terms of this Agreement, except:

(a) To its Representatives who have agreed to comply with the nondisclosure and use restrictions of this Agreement, and then only to the extent reasonably necessary for the disclosing party to perform its obligations under this Agreement or any Implementing Agreement.

(b) To its Subsidiaries that do not compete with the other party; its board of directors; and/or its external auditors.

(c) To the extent expressly consented to by the other party.

(d) To the extent required to be disclosed by any of the following, but before making any such disclosure the disclosing party will notify the other party of any such requirement to the extent legally permitted, so that such other party may seek an appropriate protective order at such other party's sole cost and expense:

- **(i)** Order of a court of competent jurisdiction, administrative agency, or governmental body.
- **(ii)** By subpoena, summons, or other compulsory legal process.
- **(iii)** Law, regulation, or rule.
- **(iv)** In connection with any judicial or other adjudicatory proceeding in which Chrysler or Ally is a party.

SECTION 14.2 **<u>Nondisclosure of Chrysler Dealer and Chrysler Consumer Information</u>.** Subject to Section 14.1(c) and 14.1(d) above, Ally will not directly or indirectly share data about Chrysler Dealers or their customers with other OEMs, authorized vehicle distributors, or authorized vehicle dealers, absent the consent of Chrysler and the affected Chrysler Dealers or their customers (as applicable), and will put in place appropriate safeguards to protect such information from unauthorized disclosure.

(a) The foregoing restrictions do not apply to Ally's "own experience" data about Chrysler Dealers or their customers or to data that is otherwise public.

(b) Upon termination of this Agreement, Ally and Chrysler will work in good faith to agree on parameters for sharing of information about Chrysler customers contained in Ally's customer database.

SECTION 14.3 **<u>Information Security</u>.** Chrysler and Ally will take reasonably necessary technical and organizational precautions to ensure that each other's Confidential Information is protected from unauthorized access, alteration, disclosure, erasure, manipulation and destruction by third parties while such information is in its possession or control and will ensure that such information is not processed in other ways contradictory to privacy and/or data protection laws.

(a) Upon written request, Chrysler and Ally will provide each other reasonable information regarding the processing of such information, including where and how such information is stored, who has access to such information and why and what security measures are taken to ensure that such information is protected from unauthorized access, alteration, disclosure, erasure, manipulation and destruction while in its possession or control.

(b) Chrysler and Ally will maintain sufficient procedures to detect and respond to security breaches involving Confidential Information and will inform each other as soon as practicable when either of them suspects or learns of malicious activity involving such Confidential Information, including an estimate of the activity's effect on the other and the corrective action taken.

SECTION 14.4 **<u>Data Privacy</u>.** Chrysler and Ally each will treat the other's Confidential Personal Information confidentially and use or disclose Confidential Personal Information only in connection with providing Consumer Financing Services and their other obligations under this Agreement.

(a) Chrysler and Ally each will restrict disclosure of Confidential Personal Information in their possession or control to their employees and/or representatives who have a need to know such information in connection with providing Consumer Financing Services and the performance of their respective obligations under this Agreement.

(b) Unless otherwise prohibited by law, Chrysler and Ally each will immediately notify the other party of any legal process served on such party for the purpose of obtaining Confidential Personal Information and, prior to disclosure of any Confidential Personal Information in connection with such process, use commercially reasonable efforts to give the other party adequate time to exercise its legal options to prohibit or limit such disclosure.

(c) Chrysler and Ally each will implement appropriate measures designed to meet the following objectives:

(i) Ensure the security and confidentiality of Confidential Personal Information;

(ii) Protect against any anticipated threats or hazards to the security or integrity of such information; and

(iii) Protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to the person about whom the Confidential Personal Information refers.

(d) Within ten days following termination of this Agreement or ten days following the completion of a project for which the Confidential Personal Information has been provided, whichever first occurs, upon the other party's request, Chrysler or Ally, as the case may be, will:

(i) Return the other party's Confidential Personal Information to such other party; or

(ii) Certify in writing to such other party that such Confidential Personal Information has been destroyed in such a manner that it cannot be retrieved.

(e) Chrysler and Ally will notify each other promptly upon the discovery of any loss, unauthorized disclosure, unauthorized access, or unauthorized use of the other's Confidential Personal Information and will indemnify the other party for such loss, unauthorized disclosure, unauthorized access or unauthorized use, including reasonable attorney fees in accordance with the terms and conditions of Section 13.1 of this Agreement.

ARTICLE XV MISCELLANEOUS

SECTION 15.1 **Representations and Warranties.** Chrysler and Ally each hereby represent and warrant to the other that, as of the date of this Agreement:

(a) It is an entity duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it was formed and has all requisite power and authority to enter into and perform all of its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement by it have been duly authorized by all requisite action on its part.

(c) This Agreement constitutes a valid and binding obligation of it and is enforceable against it in accordance with its terms.

(d) The execution and performance of this Agreement by it will not:

(i) Violate any provision of applicable law.

(ii) Conflict with the terms or provisions of its organizational or governance documents, or any other material instrument relating to the conduct of its business or the ownership of its property.

(iii) Conflict with any other material agreement to which it is a party or by which it is bound.

(e) There are no actions, suits, proceedings or other litigation or governmental investigations pending or, to its knowledge, threatened, by or against it with respect to this Agreement or in connection with the dealings contemplated by this Agreement.

(f) There is no order, injunction, or decree outstanding against, or relating to, it that could reasonably be expected to have a material adverse effect upon its ability to perform its obligations under this Agreement.

SECTION 15.2 **No Waiver of Rights or Remedies .** Any forbearance, delay, or failure by Chrysler or Ally in exercising any of its respective rights or remedies does not constitute a waiver of such rights or remedies or of any existing or future default under this Agreement.

SECTION 15.3 **Dispute Resolution .** Any dispute, controversy, claim, or disagreement arising from or in connection with this Agreement (" Dispute "), will be exclusively governed by and resolved in accordance with the provisions of this Section 15.3, and except as provided in this Section 15.3, neither party will seek judicial relief of any Dispute.

(a) Any Dispute that cannot be resolved at the working level will, in the first instance, be submitted to each member of the Coordinating Committee before the next scheduled Coordinating Committee meeting.

(b) If at formal Coordinating Committee meeting or within ten business days thereafter (unless a different time is agreed to by the Coordinating Committee) the Coordinating Committee is unable to resolve any such Dispute, the Dispute will immediately be escalated to the Ally President and the Chrysler Chief Financial Officer, or their designees for the particular matter, for resolution.

(c) Any Dispute that is not resolved by the Ally President and the Chrysler Chief Financial Officer (or their designees for the particular matter) within 30 days of submission to them will immediately be escalated to the Ally Chief Executive Officer and Chrysler Chief Executive Officer.

(d) If a Dispute is not resolved within 90 days of the date of escalation to the Ally President and Chrysler Chief Financial Officer, either party may pursue legal remedies.

(e) This Section 15.3 does not limit either party's right to apply to a court of competent jurisdiction for equitable, provisional relief with respect to any Dispute pending the resolution of the Dispute pursuant to this Section 15.3.

SECTION 15.4 **Venue and Jury Trial Waiver .** Any suit, action, or proceeding brought by a party against the other party arising out of or relating to this Agreement or any transaction contemplated by it will be brought in any federal or state court located in the city, county, and State of New York.

(a) Each party hereby submits to the exclusive jurisdiction of any federal or state court located in the city, county, and State of New York for the purpose of any such suit, action or proceeding.

(b) Service of any process, summons, notice or document by registered mail to such party's respective address set forth in this Agreement for notice will be effective service of process for any action, suit or proceeding in the State of New York with respect to any matters to which it has submitted to jurisdiction in this Section.

(c) Each of Ally and Chrysler, respectively, hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated by it.

SECTION 15.5 **Notices .** Except for notices, requests, and other communications regarding operational matters (*e.g.* , drafting authorizations, credit line suspension notices), which each party currently sends, and historically has sent, to individuals at the operational levels of the other party (" Operational Notices "), all legal notices, requests, and other communications to either party required by or permitted under this Agreement (" Notices ") must be in writing, including facsimile transmittal, and sent to the addresses indicated below, or at such other address to the attention of such other person as either party may designate by written notice to the other party:

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

To Chrysler: 1000 Chrysler Drive Auburn Hills, MI 48326 Attention: General Counsel Facsimile: 248-512-1772	**To Ally:** 200 Renaissance Center Mail Code 482-B12-D11 Detroit, MI 48265 Attention: President Facsimile: 313-656-5202

(a) All Notices other than Operational Notices are deemed given and received as follows:

(i) If given by mail or nationally recognized, reputable commercial delivery service: the second Business Day after the Notice is sent or the date the recipient actually receives it.

(ii) If given by facsimile or e-mail: when the facsimile or e-mail is transmitted to compatible equipment in the possession of the recipient and confirmation of complete receipt is received by the sending party during normal business hours or on the next Business Day if not confirmed during normal business hours.

(iii) If given by hand delivery against a receipted copy: when the copy is receipted

(b) Operational Notices may be given in any manner consistent with ordinary commercial practices, including telephone, e-mail, and/or facsimile.

SECTION 15.6 **Force Majeure .** Neither Chrysler nor Ally is liable for a delay in performance or failure to perform any obligation under this Agreement to the extent such delay is due to causes beyond its control and is without its fault or negligence, including, natural disasters, governmental regulations or orders, civil disturbance, war conditions, acts of terrorism or strikes, lock-outs or other labor disputes (" Force Majeure Condition "). The performance of any obligation suspended due to a Force Majeure Condition will resume as soon as reasonably possible as and when the Force Majeure Condition subsides.

SECTION 15.7 **Relationship of the Parties .** Nothing contained in this Agreement creates or will be construed as creating a joint venture, association, partnership, franchise, or agency relationship between Chrysler and Ally.

SECTION 15.8 **Severability .** If a court of competent jurisdiction holds that any part of this Agreement is invalid or unenforceable under applicable law, all other parts remain valid and enforceable.

SECTION 15.9 **Assignment .** Neither Chrysler nor Ally may assign this Agreement in whole or in part without the other party's prior express written.

SECTION 15.10 **Miscellaneous . This Agreement:**

(a) May be changed only by a writing signed by both parties.

(b) Binds, and inures to the benefit of the parties' respective successors and assigns.

(c) Is not intended to, and does not, create any rights in any third party.

(d) May be signed in one or more counterparts, each of is deemed an original, and all of which taken together constitute one and the same agreement.

(e) Is governed by, and construed in accordance with, the laws of New York, without regard to its conflict of laws principles.

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(f) Constitutes the entire agreement of the parties regarding its subject matter and supersedes any and all prior oral or written agreements or understandings (each of the Service Provider Agreement and related confidentiality side letter agreement, each dated March 9, 2010, between Chrysler and Ally; the Marketing Agreement between GMAC Risk Services Inc. and Chrysler; and guaranties of dealership obligations that Chrysler signed in favor of Ally, are separate agreements and are not affected by this Section 15.10(f)).

ALLY FINANCIAL INC.

Signature: /s/ William F. Muir

By (print name): William F. Muir

Title: President

Date: August 6, 2010

CHRYSLER GROUP LLC

Signature: /s/ Richard Palmer

By (print name): Richard Palmer

Title: Senior Vice President and Chief Financial Officer

Date : August 6, 2010

EXHIBIT A – FORM OF OPT-IN AGREEMENT

To: [Ally/Chrysler]

Ally Financial Inc. ("Ally") and Chrysler Group LLC ("Chrysler") have entered into the Auto Finance Operating Agreement ("Operating Agreement") under which Ally provides certain services to Chrysler. [insert subsidiary name] ("Subsidiary") desires to enjoy the rights and benefits under and flowing from the Operating Agreement. Therefore, Subsidiary hereby adopts for itself, and binds itself to, all of the terms and conditions of the Operating Agreement and any amendments thereto executed by Ally and Chrysler, with or without prior consultation with Subsidiary, as though Subsidiary is an original party to the Operating Agreement, with the exceptions as specified below. Upon opting in to the Agreement, as to "Subsidiary", references to "Chrysler" or "Ally", as applicable, in the Agreement refer to Subsidiary, and references to "party" refer to "Subsidiary". Subsidiary agrees that it may not do either of the following absent Ally's and Chrysler's prior written consent:

1. Assign this Opt-in Agreement, or the rights and obligations under it or the Operating Agreement, to anyone; or
2. Terminate this Opt-in Agreement.

Exceptions required by local legal requirements and commercial practice :

[insert, if any]

This Opt-in Agreement is effective upon the occurrence of all of the following:

1. Execution of this Opt-in Agreement by Subsidiary; and
2. Acceptance of any exceptions by [Ally/Chrysler].

[insert subsidiary name]

By: ______________________________

Title: ______________________________

Date: ______________________________

Exceptions accepted by Ally

By: ______________________________

Title: ______________________________

Date: ______________________________

[***] Indicates that text has been omitted which is the subject of a confidential treatment request. This text has been separately filed with the Securities and Exchange Commission

EXHIBIT B – STEADY STATE GUIDELINES

[***]

EXHIBIT C – Pre-existing Ally-Financed Dealers

[Omitted]

CAPITAL AND LIQUIDITY MAINTENANCE AGREEMENT

This CAPITAL AND LIQUIDITY MAINTENANCE AGREEMENT (the "Agreement"), dated as of August 24, 2010, is made and entered into by and among **ALLY FINANCIAL INC. (formerly known as GMAC Inc.),** a corporation with headquarters at 200 Renaissance Center, Detroit, MI 48235 ("Ally Financial"); **IB Finance Holding Company, LLC** , a limited liability company with headquarters at 200 Renaissance Center, Detroit, MI 48235 ("IB Finance"); (collectively, Ally Financial and IB Finance are herein referred to as the "Holding Companies"); **Ally Bank (formerly known as GMAC Bank),** a Utah-chartered, nonmember, commercial bank located at 6985 Union Park Center, Midvale, UT 84047 (the "Bank"), and the **Federal Deposit Insurance Corporation,** a Federal banking agency headquartered in Washington. D.C. (the "FDIC").

WITNESSETH:

WHEREAS, Cerberus FIM, LLC, a limited liability company with headquarters at 299 Park Avenue New York, New York 10171 ("CF"); Cerberus FIM Investors, LLC, a limited liability company with headquarters at 299 Park Avenue New York, New York 10171 ("CF Investors"); FIM Holdings LLC, a limited liability company with headquarters at 299 Park Avenue New York, New York 10171 ("FIM"), the Holding Companies, the Bank, and the FDIC executed a capital and liquidity maintenance agreement dated July 21, 2008 (the "Original CALMA"); and

WHEREAS, on December 24, 2008, the Board of Governors of the Federal Reserve System ("FRB") approved the applications of Ally Financial and IB Finance to become bank holding companies subject to certain conditions ("FRB Order"); and

WHEREAS, on December 28, 2008, the Bank submitted an application seeking the prior written consent of the FDIC to change the general character of its business pursuant to 12 C.F.R. § 333.2 ("Change of Business Character Application") in conjunction with its conversion from a Utah-chartered, nonmember, industrial bank, to a Utah-chartered, nonmember, commercial bank; and

WHEREAS, the FDIC may not act favorably on the Change of Business Character Application unless the Holding Companies and the Bank execute and comply with this Agreement and a parent company agreement dated the date of this Agreement;

NOW, THEREFORE, if the FDIC acts favorably on the Change of Business Character Application the parties agree as follows:

I. **<u>Non-Enforcement of Original CALMA as to Ally Financial and IB Finance.</u>**

Except with respect to any non-compliance that may have occurred prior to the date hereof, the FDIC will not enforce against Ally Financial or IB Finance the terms and provisions of the Original CALMA, provided that to the extent that any terms or provisions of the Original CALMA are identical to terms and provisions in this Agreement, the FDIC will enforce those terms and provisions under this Agreement.

2. **Capital.**

(A) On the date of this Agreement and continuously thereafter, the Holding Companies and the Bank, will maintain sufficient capital in the Bank such that the Bank's Tier I Leverage ratio is at least 15 percent, as calculated under 12 C.F.R. § 325.2(m), or any successor regulation.

(B) If at any time the Bank's capital level falls below the level specified above, the Holding Companies and the Bank shall immediately restore the Bank's capital to the required level. Any capital contributions to the Bank must be in the form of cash, short-term US Treasury securities, or other assets acceptable to the FDIC.

3. **Liquidity.** On the date of this Agreement and continuously thereafter the Holding Companies will maintain the Bank's liquidity at such levels that the FDIC deems appropriate. In particular, the Holding Companies will provide the Bank with financial assistance, as specified below, to permit the Bank to meet its short- and long-term liquidity demands.

(A) Short-Term Liquidity.

Ally Financial will maintain its existing Revolving Line of Credit Agreement dated November 22, 2006, with the Bank which provides $3,000,000,000 or such greater amount as may later be negotiated between Ally Financial and the Bank, in unsecured financing ("Line of Credit") to the Bank to fund loans or deposit withdrawals, pay operating expenses, or satisfy other corporate purposes. The Bank may draw on the Line of Credit provided by Ally Financial at any time the Bank or FDIC considers it necessary.

Any and all agreements related to the Line of Credit must contain only such terms and conditions as the FDIC, in its sole discretion, finds acceptable. At a minimum, the Line of Credit is subject to the restrictions of Section 23B of the Federal Reserve Act and cannot contain terms and conditions that are less favorable to the Bank than a comparable transaction with an unaffiliated third party.

(B) Liquidity Support Plan.

If the Bank identifies liquidity requirements that it cannot satisfy, it must notify each of the Holding Companies and the FDIC and the FRB as soon as practicable. The FDIC, in addition to any other actions, may require one or more of the Holding Companies to submit a liquidity support plan acceptable to the FDIC and the FRB within 15 days after receipt of the notice.

4. **Authority of the Parties.** For each party to this Agreement that is a corporation, or a limited liability company, other than the FDIC, the board of directors or the

managing member(s), as appropriate of such party has approved a resolution (the “Resolution”) authorizing the execution and performance of this Agreement. A certified copy of each Resolution is attached hereto as Exhibits 1 through 3 and incorporated herein by reference.

5. **Miscellaneous.**

A. Enforceability As A Written Agreement. In addition to any other remedies provided by law, this Agreement is enforceable as a written agreement pursuant to sections 8 and 50 of the Federal Deposit Insurance Act (12U.S.C. § 1818, 183laa).

B. Bankruptcy Treatment of Commitments. The obligations of the Holding Companies and the Bank contained in this Agreement include commitments to maintain the capital and liquidity of the Bank and, if a bankruptcy petition is filed by or against any Holding Company, the obligations of such Holding Company contained in this Agreement will be paid as an administrative expense of the debtor pursuant to section 507(a)(l) of the Bankruptcy Code (11 U.S.C. § 507(a)(l)).

C. Conservatorship or Receivership of the Bank. In the event of the appointment of a conservator or receiver for the Bank, the obligations of the Bank and the Holding Companies hereunder shall survive said appointment and be enforceable by the FDIC.

D. Governing Laws. This Agreement and the rights and obligations hereunder shall be governed by, and shall be construed in accordance with the Federal law of the United States and, in the absence of controlling Federal law, in accordance with the laws of the State of New York.

E. No Waiver. No failure to exercise, and no delay in the exercise of, any right or remedy on the part of any of the parties hereto shall operate as a waiver or termination thereof, nor shall any exercise or partial exercise of any right or remedy preclude any other or further exercise of such right or remedy or any other right or remedy.

F. Severability. In the event any one or more of the provisions contained herein should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. The parties shall endeavor in good faith to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

G. No Oral Changes. This Agreement may not be modified, amended, discharged, terminated, released, renewed or extended in any manner except by a writing signed by all of the parties.

H. Addresses for and Receipt of Notice. Any notice hereunder shall be in writing and shall be delivered by hand or sent by United States express mail or commercial express mail, postage prepaid, and addressed as follows:

If to **Ally Financial Inc. or IB Finance Holding Company LLC;**

[Ally Financial Inc.] or [IB Finance Holding Company, LLC]
200 Renaissance Center
Detroit, MI 48235

If to **Ally Bank:**

Ally Bank
6985 Union Park Center
Midvale, UT 84047

If to the **FDIC:**

Associate Director, Division of Supervision and Consumer Protection
Supervision and Applications Branch
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

And

Regional Director
New York Regional Office
Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118

If to the **FRB:**

Supervision and Regulation Department
Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

I. Assignment. This Agreement may not be assigned or transferred, in whole or in part, without the prior written consent of the FDIC, provided that the FDIC may assign all of any part of its rights under and interest in the Agreement to the FRB without any other party's consent.

J. Binding on Parties, Successors and Assigns. This Agreement is binding on the parties hereto, their successors and assigns.

K. Joint and Several Liability. The obligations, liabilities, agreements and commitments of the Holding Companies in sections 2 and 3 of this Agreement are joint and several, and the FDIC may pursue any right or remedy that it may have against one or more of the Holding Companies, consecutively or simultaneously, without releasing or discharging any other Holding Company.

L. Complete Agreement . This Agreement is the complete and exclusive statement of the agreement between the parties concerning the commitments set forth in the Agreement, and supersedes all prior written or oral communications, representations and agreements relating to the subject matter of the Agreement, provided that, it is expressly understood that the conditions set forth in the FDIC letter dated May 21, 2009, approving GMAC's application to establish a debt guarantee cap of $7.4 billion under the Temporary Liquidity Guarantee Program pursuant to 12 C.F.R. Part 370 (attached hereto as Attachment A and incorporated herein by reference), and the pricing commitments made by Mr. Sam Ramsey that are memorialized in FDIC's letter dated October 30, 2009, to Bank President Mr. Mark Hales (attached hereto as Attachment B and incorporated herein by reference) are not superseded and remain in full force and effect.

M. Counterparts. This agreement may be executed in two or more counterparts, each of which shall be deemed an original and all such counterparts taken together shall constitute one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

ALLY FINANCIAL INC.

By: /s/ Barbara A. Yastine
Printed Name and Title: Barbara A. Yastine, Chief Administrative Officer

IB FINANCE HOLDING COMPANY, LLC
By its Managing Member(s):

By: /s/ W. F. Muir
Printed Name and Title: W. F. Muir, President

ALLY BANK

By: /s/ Mark Hales
Printed Name and Title: Mark Hales President & CEO

FEDERAL DEPOSIT INSURANCE CORPORATION

By: /s/ Sandra L. Thompson
Sandra L. Thompson, Director
Division of Supervision and Consumer Protection

Exhibit 12

ALLY FINANCIAL INC .

RATIO OF EARNINGS TO FIXED CHARGES

($ in millions)	Nine months ended September 30, 2010 (a)	Year ended December 31, 2009 (a)	2008 (a)	2007 (a)	2006 (a)	2005 (a)
Earnings						
Consolidated net income (loss) from continuing operations	**$ 836**	$ (7,006)	$ 4,902	$ (1,879)	$ 1,863	$ 2,057
Income tax expense (benefit) from continuing operations	**117**	77	(131)	514	31	1,084
Equity-method investee distribution	**—**	—	111	65	651	283
Equity-method investee (losses) earnings	**(41)**	(10)	533	5	(512)	(142)
Minority interest expense	**1**	1	1	2	9	(57)
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income (loss) from equity investees	**913**	(6,938)	5,416	(1,293)	2,042	3,225
Fixed charges	**5,198**	7,253	10,351	13,798	14,752	12,035
Earnings available for fixed charges	**$ 6,111**	$ 315	$15,767	$12,505	$16,794	$15,260
Fixed charges						
Interest, discount, and issuance expense on debt	**$ 5,170**	$ 7,217	$10,298	$13,738	$14,686	$11,976
Portion of rentals representative of the interest factor	**28**	36	53	60	66	59
Total fixed charges	**5,198**	7,253	10,351	13,798	14,752	12,035
Preferred dividend requirements	**975**	1,224	—	192	22	—
Total fixed charges and preferred dividend requirements	**$ 6,173**	$ 8,477	$10,351	$13,990	$14,774	$12,035
Ratio of earnings to fixed charges (b)	**1.18**	0.04	1.52	0.91	1.14	1.27
Ratio of earnings to combined fixed charges and preferred dividend requirements (c)	**0.99**	0.04	1.52	0.89	1.14	1.27

(a) During 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.

(b) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2009 and 2007. Earnings available for fixed charges for the years ended December 31, 2009 and 2007, were inadequate to cover total fixed charges. The deficit amounts for the ratio were $6,938 million and $1,293 million for the years ended December 31, 2009 and 2007, respectively.

(c) The ratio indicates a less than one-to-one coverage for the nine months ended September 30, 2010, and the years ended December 31, 2009 and 2007. Earnings available for fixed charges and preferred dividend requirements for the nine months ended September 30, 2010, and the years ended December 31, 2009 and 2007, were inadequate to cover total fixed charges and preferred dividend requirements. The deficit amounts for the ratio were $62 million for the nine months ended September 30, 2010, and $8,162 million and $1,485 million for the years ended December 31, 2009 and 2007, respectively.

Exhibit 31.1

ALLY FINANCIAL INC.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

ALLY FINANCIAL INC.

I, James G. Mackey certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2010

/s/ JAMES G. MACKEY

James G. Mackey

Interim Chief Financial Officer

Exhibit 32

ALLY FINANCIAL INC.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer
November 8, 2010

/s/ JAMES G. MACKEY

James G. Mackey
Interim Chief Financial Officer
November 8, 2010

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.