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

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

For the quarterly period ended March 31, 2012, or

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

For the transition period from to

Commission file number: 1-3754

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

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

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)

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

Yes þ No ¨

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

Yes þ No ¨

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

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

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

Yes ¨ No þ

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

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

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

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

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

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

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

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

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

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

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2011	$19,668	$5,685	$1,287	$ (6,410)	$ 259	$20,489
Net income				146		146
Preferred stock dividends — U.S. Department of Treasury				(134)		(134)
Preferred stock dividends				(69)		(69)
Series A preferred stock amendment (a)			(32)	32		—
Other comprehensive loss, net of tax					(25)	(25)
Balance at March 31, 2011	$19,668	$5,685	$1,255	$ (6,435)	$ 234	$20,407
Balance at January 1, 2012	$19,668	$5,685	$1,255	$ (7,324)	$ 87	$19,371
Net income				310		310
Preferred stock dividends — U.S. Department of Treasury				(134)		(134)
Preferred stock dividends				(67)		(67)
Other comprehensive income, net of tax					187	187
Balance at March 31, 2012	$19,668	$5,685	$1,255	$ (7,215)	$ 274	$19,667

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

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

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

Statement continues on the next page.

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

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

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

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

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

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

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

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

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

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

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries continues to be negatively impacted by the events and conditions in the mortgage banking industry and the broader economy that began in 2007. Market deterioration has led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap's operations. ResCap is highly leveraged relative to its cash flow and has recognized credit and valuation losses and other charges resulting in a significant deterioration in capital. In the future, ResCap may also continue to be negatively impacted by exposure to representation and warranty obligations, adverse outcomes with respect to current or future litigation, fines, penalties, or settlements related to our mortgage-related activities, and additional expenses to address regulatory requirements. ResCap is required to maintain consolidated tangible net worth, as defined, of $250 million at the end of each month, under the terms of certain of its credit facilities. For this purpose, consolidated tangible net worth is defined as ResCap's consolidated equity excluding intangible assets. ResCap's consolidated tangible net worth was $399 million at March 31, 2012, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. During the fourth quarter of 2011, ResCap's consolidated tangible net worth was temporarily reduced to below $250 million. This was, however, immediately remediated by Ally through a capital contribution, which was provided through forgiveness of intercompany debt during January 2012. Notwithstanding the immediate cure, the temporary reduction in tangible net worth resulted in a covenant breach in certain of ResCap's credit facilities as of December 31, 2011. ResCap obtained waivers from all applicable lenders with respect to this covenant breach and an acknowledgment letter from a Government-sponsored Enterprise indicating they would take no immediate action as a result of the breach. In the future, Ally may choose not to remediate any further breaches of covenants.

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

debt securities and credit facilities.
Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering.
ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should Ally no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.
Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At December 31, 2011, Ally had funding arrangements with ResCap that included $1.0 billion of senior secured credit facilities (the Senior Secured Facilities) and a $1.6 billion line of credit (Line of Credit) consisting of a $1.1 billion secured facility and a $500 million unsecured facility. The Senior Secured Facilities and Line of Credit had a maturity date of April 13, 2012. Ally extended the maturity date of the Senior Secured Facilities and the $1.1 billion secured facility under the Line of Credit to May 14, 2012. The $500 million unsecured facility under the Line of Credit was not extended. At March 31, 2012, the $1.0 billion in Senior Secured Facilities were fully drawn, and $410 million of the remaining $1.1 billion Line of Credit was drawn. At March 31, 2012, the hedging arrangements were fully collateralized.

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

Significant Accounting Policies

Income Taxes

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

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

Recently Adopted Accounting Standards

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

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

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

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

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

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

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

2. Discontinued and Held-for-sale Operations

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

Select Mortgage — Legacy Portfolio and Other Operations

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

Select Global Automotive Services — Insurance Operations

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

Select Global Automotive Services — International Automotive Finance Operations

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

Select Financial Information

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)
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Held-for-sale Operations
The assets and liabilities of operations held-for-sale are summarized below.

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

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

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

(a) Includes the Canadian mortgage operations of ResMor Trust.
(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.
(c) Includes the operations of Venezuela and our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

Recurring Fair Value

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

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

3. Other Income, Net of Losses

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

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

(a) Refer to Note 19 for a description of derivative instruments and hedging activities.
(b) Refer to Note 21 for a description of fair value option elections.

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4. Other Operating Expenses

Details of other operating expenses were as follows.

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

5. Trading Assets

The composition of trading assets was as follows.

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

6. Investment Securities

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

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

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

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

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

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

(a)

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

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

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

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

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

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

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

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

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

7. Loans Held-for-Sale, Net

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

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

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

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

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

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

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

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

8. Finance Receivables and Loans, Net

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Impaired Loans and Troubled Debt Restructurings

Impaired Loans

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

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

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

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

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

Troubled Debt Restructurings

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

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

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

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

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

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

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

Higher-Risk Mortgage Concentration Risk

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

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

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.
(b) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at March 31, 2012, and December 31, 2011.

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

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

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

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

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

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10. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

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

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

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

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

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

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but generally, we would do so only when it is in our best interest.

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

Other Variable Interest Entities

Servicer Advance Funding Entity

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

Other

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

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

Involvement with Variable Interest Entities

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

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

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

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

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

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

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

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

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

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

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

On-balance Sheet Variable Interest Entities

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

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

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

Off-balance Sheet Variable Interest Entities

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

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

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

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

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

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

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

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

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

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

n/m = not meaningful

(a) Includes loans subject to conditional repurchase options of $2.3 billion and $2.3 billion guaranteed by the GSEs, and $129 million and $132 million sold to certain private-label mortgage securitization entities at March 31, 2012, and December 31, 2011, respectively.

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

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

Changes in Accounting for Variable Interest Entities

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

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11. Servicing Activities

Mortgage Servicing Rights

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

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

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

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

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

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

Risk Mitigation Activities

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

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

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

Change in estimated fair value of mortgage servicing rights	$1	$117
Change in fair value of derivative financial instruments	8	(204)
Servicing valuation and hedge activities, net	$9	$(87)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

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

Mortgage Servicing Advances

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

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

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

Serviced Mortgage Assets

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

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

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

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

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

Automobile Servicing Activities

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

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

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

12. Other Assets

The components of other assets were as follows.

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

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

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

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

13. Deposit Liabilities

Deposit liabilities consisted of the following.

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

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

14. Short-term Borrowings

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

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

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

15. Long-term Debt

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

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

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

(b) Includes $2.6 billion of trust preferred securities at both March 31, 2012, and December 31, 2011.

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

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

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

(a) 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 secured notes. This concession is being amortized over the life of the notes through a reduction to interest expense using an effective yield methodology.

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

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

(a) 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 secured notes. This concession is being amortized over the life of the notes through a reduction to interest expense using an effective yield methodology.

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

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

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling $11.3 billion and $11.8 billion at March 31, 2012, and December 31, 2011, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Under the agreement with the FHLB, Ally Bank also had assets pledged as collateral under a blanket-lien totaling $7.9 billion and $7.3 billion at March 31, 2012, and December 31, 2011, respectively. These assets were primarily composed of mortgage servicing rights; consumer and commercial mortgage finance receivables and loans, net; and other assets. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

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

Trust Preferred Securities

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

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

Each Series 2 TRUPS security has a liquidation amount of $25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

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

As of March 31, 2012, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $3.9 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At March 31, 2012, $32.5 billion of our $42.9 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2012, we had $18.2 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

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

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

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

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

Uncommitted Funding Facilities

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

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16. Equity

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

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

(a) Mandatorily convertible to common equity on December 30, 2016.
(b) Convertible prior to mandatory conversion date with consent of Treasury.
(c) Nonredeemable prior to May 15, 2016.
(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.
(e) Redeemable beginning at December 31, 2011.

17. Earnings per Common Share

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

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

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

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

18. Regulatory Capital

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

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

cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%.
The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10%

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

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

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

The following table summarizes our capital ratios.

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

n/a = not applicable

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

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

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

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

19. Derivative Instruments and Hedging Activities

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

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

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

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

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

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

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

- Debt — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- Other — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

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

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

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

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

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

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

Credit Risk

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

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

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

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

Balance Sheet Presentation

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

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

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

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

Statement of Comprehensive Income Presentation

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

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

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

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

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

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

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

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

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

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

20. Income Taxes

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

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

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

21. Fair Value

Fair Value Measurements

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

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

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

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

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

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

- Available-for-sale securities — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Mortgage loans held-for-sale, net — Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they are accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans

held-for-sale. The methodology used depends on the exit market as described below.
Level 2 mortgage loans — This includes all GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.
Level 3 mortgage loans — This includes all conditional repurchase option loans carried at fair value due to the fair value option election and all GSE-ineligible residential mortgage loans that are accounted for at the lower-of-cost or fair value. The fair value of these residential mortgage loans are determined using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
Refer to the section within this note titled Fair Value Option for Financial Assets and Financial Liabilities for further information about the fair value elections.

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

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

- MSRs — We typically retain MSRs when we sell assets into the secondary market. MSRs are classified as Level 3 because they currently do not trade in an active market with observable prices; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- Interests retained in financial asset sales — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of

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

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

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

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

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

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

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

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

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

(a) Our investment in any one industry did not exceed 18%.
(b) Carried at fair value due to fair value option elections.
(c) Includes derivatives classified as trading.
(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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

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

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

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

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

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

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

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

(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 Comprehensive Income.

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

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

(e) Includes derivatives classified as trading.

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

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

Accrued expenses and other liabilities									
Loan repurchase liabilities (b)	—	—	—	(14)	—	—	—	(14)	—
Total liabilities	$(972)	$(67)	$ 1	$ (14)	$—	$—	$ 116	$(936)	$ 5

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

(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 Comprehensive Income.

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

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

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

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

Nonrecurring Fair Value

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

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

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

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 2012. 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 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

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

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

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

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 2011. 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 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(d) Represents model homes impaired during 2011. The total gain 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 if the model home is marketed for sale.

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

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

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

Fair Value Option for Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Excludes accrued interest receivable.

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

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

Fair Value of Financial Instruments

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

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

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

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

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

- Loans held-for-sale, net — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- Finance receivables and loans, net — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either

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

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

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

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

22. Segment and Geographic Information

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

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

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

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

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

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

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

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

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

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

Change in Reportable Segment Information

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

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

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

(a) Represents the ResCap legal entity and the mortgage activities of Ally Bank.
(b) Amounts include intrasegment eliminations between our North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations.
(c) Total assets for the Commercial Finance Group were $1.2 billion and $1.4 billion at March 31, 2012 and 2011, respectively.
(d) Net financing revenue (loss) after the provision for loan losses totaled $529 million and $431 million for the three months ended March 31, 2012 and 2011, respectively.

Information concerning principal geographic areas was as follows.

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

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

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

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

(d) Amounts include eliminations between our foreign operations.

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

23. Parent and Guarantor Consolidating Financial Statements

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

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

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

Condensed Consolidating Statement of Income

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