Ally Financial Inc.
Form 10-Q
August 09, 2011
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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 June 30, 2011, 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	*(I.R.S. Employer*
incorporation or organization)	*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 ¨ Accelerated filer ¨ Non-accelerated filer þ (Do not check if a smaller reporting company) Smaller reporting company ¨

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

Yes ¨ No þ

At August 9, 2011, the number of shares outstanding of the Registrant s common stock was 1,330,970 shares.

ALLY FINANCIAL INC.

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Item 1. Financial Statements

ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	**$ 1,676**	$ 1,617	**$ 3,299**	$ 3,235
Interest on loans held-for-sale	**98**	156	**206**	371
Interest on trading securities	**3**	6	**6**	7
Interest and dividends on available-for-sale investment securities	**108**	90	**212**	189
Interest-bearing cash	**15**	18	**27**	32
Operating leases	**620**	1,011	**1,300**	2,174
Total financing revenue and other interest income	**2,520**	2,898	**5,050**	6,008
Interest expense				
Interest on deposits	**175**	155	**347**	313
Interest on short-term borrowings	**108**	99	**234**	210
Interest on long-term debt	**1,334**	1,409	**2,744**	2,842
Total interest expense	**1,617**	1,663	**3,325**	3,365
Depreciation expense on operating lease assets	**192**	526	**477**	1,182
Net financing revenue	**711**	709	**1,248**	1,461
Other revenue				
Servicing fees	**353**	384	**724**	769
Servicing asset valuation and hedge activities, net	**(105)**	(21)	**(192)**	(154)
Total servicing income, net	**248**	363	**532**	615
Insurance premiums and service revenue earned	**433**	477	**866**	945
Gain on mortgage and automotive loans, net	**115**	266	**207**	537
Loss on extinguishment of debt	**(25)**	(3)	**(64)**	(121)
Other gain on investments, net	**92**	112	**176**	255
Other income, net of losses	**253**	173	**469**	255
Total other revenue	**1,116**	1,388	**2,186**	2,486
Total net revenue	**1,827**	2,097	**3,434**	3,947
Provision for loan losses	**51**	218	**164**	362
Noninterest expense				
Compensation and benefits expense	**424**	388	**858**	814
Insurance losses and loss adjustment expenses	**244**	224	**430**	435
Other operating expenses	**916**	832	**1,688**	1,714
Total noninterest expense	**1,584**	1,444	**2,976**	2,963
Income from continuing operations before income tax expense	**192**	435	**294**	622
Income tax expense from continuing operations	**82**	33	**14**	69

Net income from continuing operations	**110**	402	**280**	553
Income (loss) from discontinued operations, net of tax	**3**	163	**(21)**	174
Net income	**$ 113**	$ 565	**$ 259**	$ 727

Statement continues on the next page.

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

	Three months ended June 30,		Six months ended June 30,	
($ in millions except per share data)	**2011**	2010	**2011**	2010
Net (loss) income attributable to common shareholders				
Net income from continuing operations	**$ 110**	$ 402	**$ 280**	$ 553
Preferred stock dividends U.S. Department of Treasury	**(134)**		**(267)**	(386)
Preferred stock dividends	**(57)**	(25)	**(127)**	(142)
Impact of preferred stock amendment			**32**	
Net (loss) income from continuing operations attributable to common shareholders (a)	**(81)**	377	**(82)**	25
Income (loss) from discontinued operations, net of tax	**3**	163	**(21)**	174
Net (loss) income attributable to common shareholders	**$ (78)**	$ 540	**$ (103)**	$ 199
Basic weighted-average common shares outstanding	**1,330,970**	799,120	**1,330,970**	799,120
Diluted weighted-average common shares outstanding (a)	**1,330,970**	1,787,320	**1,330,970**	799,120
Basic earnings per common share				
Net (loss) income from continuing operations	**$ (61)**	$ 472	**$ (62)**	$ 32
Income (loss) from discontinued operations, net of tax	**2**	204	**(16)**	217
Net (loss) income	**$ (59)**	$ 676	**$ (78)**	$ 249
Diluted earnings per common share (a)				
Net (loss) income from continuing operations	**$ (61)**	$ 211	**$ (62)**	$ 32
Income (loss) from discontinued operations, net of tax	**2**	91	**(16)**	217
Net (loss) income	**$ (59)**	$ 302	**$ (78)**	$ 249

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the for the three and six months ended June 30, 2011 and the six months ended June 30, 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

($ in millions)	**June 30, 2011**	December 31, 2010
Assets		
Cash and cash equivalents		
Noninterest-bearing	**$ 2,039**	$ 1,714
Interest-bearing	**12,862**	9,956
Total cash and cash equivalents	**14,901**	11,670
Trading securities	**311**	240
Investment securities	**15,961**	14,846
Loans held-for-sale, net ($2,545 and $6,424 fair value-elected)	**7,168**	11,411
Finance receivables and loans, net		
Finance receivables and loans, net ($946 and $1,015 fair value-elected)	**110,725**	102,413
Allowance for loan losses	**(1,739)**	(1,873)
Total finance receivables and loans, net	**108,986**	100,540
Investment in operating leases, net	**9,015**	9,128
Mortgage servicing rights	**3,701**	3,738
Premiums receivable and other insurance assets	**2,124**	2,181
Other assets	**16,722**	18,254
Total assets	**$ 178,889**	$ 172,008
Liabilities		
Deposit liabilities		
Noninterest-bearing	**$ 2,405**	$ 2,131
Interest-bearing	**39,857**	36,917
Total deposit liabilities	**42,262**	39,048
Short-term borrowings	**7,130**	7,508
Long-term debt ($899 and $972 fair value-elected)	**91,723**	86,612
Interest payable	**1,734**	1,829
Unearned insurance premiums and service revenue	**2,845**	2,854
Reserves for insurance losses and loss adjustment expenses	**782**	862
Accrued expenses and other liabilities ($19 and $ fair value-elected)	**11,990**	12,806
Total liabilities	**158,466**	151,519
Equity		
Common stock and paid-in capital	**19,668**	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	**5,685**	5,685
Preferred stock	**1,255**	1,287
Accumulated deficit	**(6,508)**	(6,410)
Accumulated other comprehensive income	**323**	259
Total equity	**20,423**	20,489
Total liabilities and equity	**$ 178,889**	$ 172,008

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

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

($ in millions)	**June 30, 2011**	December 31, 2010
Assets		
Loans held-for-sale, net	**$ 10**	$ 21
Finance receivables and loans, net		
Finance receivables and loans, net ($946 and $1,015 fair value-elected)	**40,497**	33,483
Allowance for loan losses	**(287)**	(238)
Total finance receivables and loans, net	**40,210**	33,245
Investment in operating leases, net	**971**	1,065
Other assets	**3,156**	3,279
Total assets	**$ 44,347**	$ 37,610
Liabilities		
Short-term borrowings	**$ 924**	$ 964
Long-term debt ($899 and $972 fair value-elected)	**29,863**	24,466
Interest payable	**15**	15
Accrued expenses and other liabilities	**393**	397
Total liabilities	**$ 31,195**	$ 25,842

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Six Months Ended June 30, 2011 and 2010

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity	Comprehensive income
Balance at January 1, 2010, before cumulative effect of adjustments	$ 13,829	$ 10,893	$ 1,287	$ (5,630)	$ 460	$ 20,839	
Cumulative effect of a change in accounting principle, net of tax (a)				(57)	4	(53)	
Balance at January 1, 2010, after cumulative effect of adjustments	$ 13,829	$ 10,893	$ 1,287	$ (5,687)	$ 464	$ 20,786	
Net income				727		727	$ 727
Preferred stock dividends paid to the U.S. Department of Treasury				(386)		(386)	
Preferred stock dividends				(142)		(142)	
Dividends to shareholders				(7)		(7)	
Other comprehensive loss					(279)	(279)	(279)
Other (b)				74		74	
Balance at June 30, 2010	$ 13,829	$ 10,893	$ 1,287	$ (5,421)	$ 185	$ 20,773	$ 448
Balance at January 1, 2011	**$ 19,668**	**$ 5,685**	**$ 1,287**	**$ (6,410)**	**$ 259**	**$ 20,489**	
Net income				**259**		**259**	**$ 259**
Preferred stock dividends paid to the U.S. Department of Treasury				**(267)**		**(267)**	
Preferred stock dividends				**(127)**		**(127)**	
Series A preferred stock amendment (c)			**(32)**	**32**			
Other comprehensive income					**64**	**64**	**64**
Other (b)				**5**		**5**	
Balance at June 30, 2011	**$ 19,668**	**$ 5,685**	**$ 1,255**	**$ (6,508)**	**$ 323**	**$ 20,423**	**$ 323**

(a) Cumulative effect of change in accounting principle, net of tax, due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.
(b) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009 through June 30, 2009.
(c) Refer to Note 16 to the Condensed Consolidated Financial Statements for further details.

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Six months ended June 30, *($ in millions)*	**2011**	2010
Operating activities		
Net income	**$ 259**	$ 727
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	**1,418**	2,249
Other impairment	**6**	16
Changes in fair value of mortgage servicing rights	**115**	944
Provision for loan losses	**163**	382
Gain on sale of loans, net	**(215)**	(559)
Net gain on investment securities	**(183)**	(256)
Loss on extinguishment of debt	**64**	116
Originations and purchases of loans held-for-sale	**(25,874)**	(27,600)
Proceeds from sales and repayments of loans held-for-sale	**29,166**	35,564
Net change in:		
Trading securities	**(154)**	(28)
Deferred income taxes	**(66)**	(198)
Interest payable	**(111)**	61
Other assets	**(1,288)**	1,322
Other liabilities	**1,815**	375
Other, net	**(752)**	(1,532)
Net cash provided by operating activities	**4,363**	11,583
Investing activities		
Purchases of available-for-sale securities	**(10,982)**	(11,994)
Proceeds from sales of available-for-sale securities	**8,423**	9,854
Proceeds from maturities of available-for-sale securities	**2,386**	2,535
Net increase in finance receivables and loans	**(8,669)**	(8,175)
Proceeds from sales of finance receivables and loans	**1,346**	2,362
Purchases of operating lease assets	**(3,817)**	(1,491)
Disposals of operating lease assets	**3,621**	4,435
Proceeds from sale of business units, net (a)	**47**	(12)
Other, net	**871**	1,678
Net cash used in investing activities	**(6,774)**	(808)

Statement continues on the next page.

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

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ALLY FINANCIAL INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Six months ended June 30, *($ in millions)*	**2011**	2010
Financing activities		
Net change in short-term borrowings	**(227)**	(3,827)
Net increase in bank deposits	**2,570**	2,720
Proceeds from issuance of long-term debt	**26,225**	20,996
Repayments of long-term debt	**(22,951)**	(32,307)
Dividends paid	**(419)**	(532)
Other, net	**551**	773
Net cash provided by (used in) financing activities	**5,749**	(12,177)
Effect of exchange-rate changes on cash and cash equivalents	**(78)**	619
Net increase (decrease) in cash and cash equivalents	**3,260**	(783)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a)(b)	**(29)**	343
Cash and cash equivalents at beginning of year	**11,670**	14,788
Cash and cash equivalents at June 30,	**$ 14,901**	$ 14,348
Supplemental disclosures		
Cash paid for		
Interest	**$ 2,886**	$ 3,209
Income taxes	**471**	306
Noncash items		
Increase in finance receivables and loans due to a change in accounting principle (c)		17,990
Increase in long-term debt due to a change in accounting principle (c)		17,054
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	**110**	249

(a) The amounts are net of cash and cash equivalents of $88 million at June 30, 2011, and $745 million at June 30, 2010, 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.

(c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

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

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

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

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is 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 June 30, 2011, and for the three months and six months ended June 30, 2011, and 2010, 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, 2010, as filed on February 25, 2011, with the U.S. Securities and Exchange Commission (SEC).

Residential Capital, LLC

Residential Capital, LLC (ResCap), one of our mortgage subsidiaries, was negatively impacted by the events and conditions in the mortgage banking industry and the broader economy beginning in 2007. The market deterioration led to fewer sources of, and significantly reduced levels of, liquidity available to finance ResCap s operations. ResCap is highly leveraged relative to its cash flow and previously recognized credit and valuation losses resulting in a significant deterioration in capital. ResCap may also 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 s consolidated tangible net worth, as defined, was $772 million at June 30, 2011, and ResCap remained in compliance with all of its consolidated tangible net worth covenants. For this purpose, consolidated tangible net worth is defined as ResCap s consolidated equity excluding intangible assets. There continues to be a risk that ResCap may not be able to meet its debt service obligations, may default on its financial debt covenants due to insufficient capital, and/or may be in a negative liquidity position in future periods.

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

During 2009 and 2010, we performed a strategic review of our mortgage business. As a result of this, we effectively exited the European mortgage market through the sale of our U.K. and continental Europe operations. We also completed the sale of certain higher-risk legacy mortgage assets and settled representation and warranty claims with certain counterparties. The ongoing focus of our Mortgage Origination and Servicing operations will be predominately the origination and sale of conforming and government-insured residential mortgages and mortgage servicing.

ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

In the future, Ally and ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include Ally providing or declining to provide additional liquidity and capital support for ResCap; refinancing or restructuring some or all of ResCap s existing debt; the purchase or sale of ResCap debt securities in the public or private markets for cash or other consideration; entering into derivative or other hedging or similar transactions with respect to ResCap or its debt securities; Ally purchasing assets from ResCap; or undertaking corporate transactions such as a tender offer or exchange offer for some or all of

ResCap s outstanding debt securities, asset sales, or other business reorganization or similar action with respect to all or part of ResCap and/or its affiliates. In this context, Ally and ResCap typically consider a number of factors to the extent applicable and appropriate including, without limitation, the financial condition, results of operations, and prospects of Ally and ResCap; ResCap s ability to obtain third-party financing; tax considerations; the current and anticipated future trading price levels of ResCap s debt instruments; conditions in the mortgage banking industry and general economic conditions; other investment and business opportunities available to Ally and/or ResCap; and any nonpublic information that ResCap may possess or that Ally receives from ResCap.

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

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

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At June 30, 2011, we had $1.9 billion in secured financing arrangements with ResCap of which $1.3 billion in loans was utilized. At June 30, 2011, there was no net exposure under the hedging arrangements because the arrangements were fully collateralized. Amounts outstanding under the secured financing and hedging arrangements fluctuate. If ResCap were to file for bankruptcy, ResCap s repayments of its financing facilities, including those with us, 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 $772 million investment related to ResCap s equity position would likely be reduced to zero. If a ResCap bankruptcy were to occur and a substantial amount of our credit exposure is not repaid to us, it would have an adverse impact on our near-term net income and capital position, but we do not believe it would have a materially adverse impact on Ally s consolidated financial position over the longer term.

Relationship and Transactions with General Motors Company

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

GM is no longer considered a related party for purposes of applicable disclosure within the Notes to Condensed Consolidated Financial Statements, as it beneficially owns less than 10% of the voting interests in Ally and does not control or have the ability to significantly influence the management and policies of Ally. In addition, the Federal Reserve has determined that GM is no longer considered an affiliate of Ally Bank for purposes of Sections 23A and 23B of the Federal Reserve Act, which impose limitations on transactions between banks and their affiliates.

Refer to Note 26 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for a summary of related party transactions with GM during 2010.

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ALLY FINANCIAL INC.

NOTES TO CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Significant Accounting Policies

Earnings per Common Share

We compute earnings (loss) per common share by dividing net income (loss) (after deducting dividends on preferred stock) by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) (after deducting dividends on preferred stock) by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

Refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

During the three months ended March 31, 2011, Accounting Standards Update (ASU) 2010-20 required us to disclose a rollforward of the allowance for loan losses, additional activity-based disclosures for both financing receivables, and the allowance for each reporting period. We early adopted the rollforward requirement during the December 31, 2010, reporting period. Since the guidance relates only to disclosures, adoption did not have a material impact on our consolidated financial condition or results of operations.

Revenue Recognition   Revenue Arrangements with Multiple Deliverables (ASU 2009-13)

As of January 1, 2011, we adopted ASU 2009-13, which amends Accounting Standards Codification (ASC) 605, *Revenue Recognition*. The guidance significantly changed the accounting for revenue recognition in arrangements with multiple deliverables and eliminated the residual method, which allocated the discount of a multiple deliverable arrangement among the delivered items. The guidance requires entities to allocate the total consideration to all deliverables at inception using the relative selling price and to allocate any discount in the arrangement proportionally to each deliverable based on each deliverable s selling price. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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

In December 2010, the FASB issued 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. The ASU will be effective for us on January 1, 2012.

We do not expect the adoption to have a material impact to our consolidated financial condition or results of operations.

Receivables   A Creditor s Determination of Whether a Restructuring Is a Troubled Debt Restructuring (ASU 2011-02)

In April 2011, the FASB issued ASU 2011-02, which amends ASC 310, *Receivables*. The amendments in this ASU clarify which loan modifications constitute a troubled debt restructuring. It is intended to assist creditors in determining whether a modification of the terms of a receivable meets the criteria to be considered a troubled debt restructuring, both for purposes of recording an impairment loss and for disclosure of troubled debt restructurings. The ASU was effective for us on July 1, 2011, and must be applied retrospectively to modifications made subsequent to the beginning of the annual period of adoption, which for us is January 1, 2011.

If, as a result of applying these amendments, we identify receivables that are newly considered impaired, we are required to apply the measurement portion of the amendments to these newly identified impairments at the end of the reporting period of adoption. Effective September 30, 2011, we will also be required to retrospectively disclose the total amount of receivables and the allowance for credit losses as of January 1, 2011, related to those receivables that are newly considered impaired for which impairment was previously measured under ASC 450-20, *Contingencies Loss Contingencies.*

We do not expect the adoption to 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 International Financial Reporting Standards (IFRS) (ASU 2011-04)

In May 2011, the FASB issued ASU 2011-04, which amends ASC 820, *Fair Value Measurements*. The amendments in this ASU clarify how to measure fair value. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. The ASU will be effective for us on January 1, 2012, and must be applied prospectively.

Early adoption is permitted. We do not expect the adoption to have a material impact to our consolidated financial condition or results of operations.

Comprehensive Income Presentation of Comprehensive Income (ASU 2011-05)

In June 2011, the FASB issued ASU 2011-05, which amends ASC 220, *Comprehensive Income*. The amendments will increase the prominence of items reported in other comprehensive income and facilitate convergence between GAAP and IFRS. This ASU will require that nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The ASU will be effective for us on January 1, 2012.

Early adoption is permitted. Since the guidance relates only to disclosures, the adoption will have no impact to our consolidated financial condition or results of operations.

2. Discontinued Operations

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

Select Insurance Operations

During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business.

Select International Automotive Finance Operations

We completed the sale of our Ecuador operations during the first quarter of 2011. We expect to complete the sale of our Venezuela operations by December 31, 2011.

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Select Financial Information

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

Selected financial information of discontinued operations is summarized below.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Select Insurance operations				
Total net revenue	**$ 40**	$ 61	**$ 96**	$ 300
Pretax income (loss) including direct costs to transact a sale (a)	**6**	(6)	**13**	(6)
Tax (benefit)		(5)		(1)
Select International operations				
Total net revenue	**$ 5**	$ 39	**$ 10**	$ 80
Pretax (loss) income including direct costs to transact a sale (a)	**(3)**	59	**(34)**	64
Tax (benefit) expense		(6)		2
Select Mortgage Legacy and Other operations				
Total net revenue	**$**	$ 16	**$**	$ 44
Pretax income including direct costs to transact a sale		89		102
Tax (benefit)		(9)		(8)
Select Commercial Finance operations				
Total net revenue	**$**	$ 3	**$**	$ 11
Pretax (loss) income including direct costs to transact a sale (a)		(3)		7
Tax (benefit)		(4)		

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

3. Other Income, Net of Losses

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Securitization income (loss) other	**$ 127**	$ 3	**$ 149**	$ (46)
Mortgage processing fees and other mortgage income	**44**	41	**88**	94
Remarketing fees	**31**	36	**68**	67
Late charges and other administrative fees	**24**	35	**57**	72
Income from equity-method investments	**20**	13	**42**	25

Full-service leasing fees	**9**	13	**24**	41
Real estate services, net		2		9
Change due to fair value option elections (a)	**(22)**	(56)	**(39)**	(129)
Fair value adjustment on derivatives (b)	**(65)**	(2)	**(79)**	(58)
Other, net	**85**	88	**159**	180
Total other income, net of losses	**$ 253**	$ 173	**$ 469**	$ 255

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

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4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Mortgage representation and warranty, net	**$ 184**	$ 97	**$ 210**	$ 146
Insurance commissions	**124**	150	**249**	296
Technology and communications	**116**	134	**236**	272
Professional services	**79**	63	**147**	119
Lease and loan administration	**45**	35	**89**	66
Advertising and marketing	**41**	50	**95**	74
Vehicle remarketing and repossession	**37**	47	**73**	102
State and local non-income taxes	**35**	36	**66**	60
Regulatory and licensing fees	**34**	25	**71**	55
Premises and equipment depreciation	**24**	20	**50**	38
Occupancy	**23**	26	**46**	51
Full-service leasing vehicle maintenance costs	**11**	6	**22**	36
Restructuring	**6**	14	**3**	56
Other	**157**	129	**331**	343
Total other operating expenses	**$ 916**	$ 832	**$ 1,688**	$ 1,714

5. Trading Securities

The composition of trading securities was as follows.

($ in millions)	**June 30, 2011**	December 31, 2010
U.S. Treasury	**$**	$ 77
Mortgage-backed residential	**311**	69
Asset-backed		94
Total trading securities	**$ 311**	$ 240

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6. Investment Securities

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

	June 30, 2011				December 31, 2010			
		Gross unrealized		Fair		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	**$ 1,155**	**$ 14**	**$**	**$ 1,169**	$ 3,307	$ 22	$ (11)	$ 3,318
States and political subdivisions	**1**			**1**	3		(1)	2
Foreign government	**1,308**	**19**	**(1)**	**1,326**	1,231	19	(2)	1,248
Mortgage-backed residential (a)	**7,869**	**55**	**(77)**	**7,847**	5,844	60	(79)	5,825
Asset-backed	**2,195**	**31**	**(5)**	**2,221**	1,934	15	(1)	1,948
Corporate debt	**1,543**	**18**	**(8)**	**1,553**	1,537	34	(13)	1,558
Other	**674**			**674**	152		(1)	151
Total debt securities (b)	**14,745**	**137**	**(91)**	**14,791**	14,008	150	(108)	14,050
Equity securities	**1,171**	**57**	**(58)**	**1,170**	766	60	(30)	796
Total available-for-sale securities (c)	**$ 15,916**	**$ 194**	**$ (149)**	**$ 15,961**	$ 14,774	$ 210	$ (138)	$ 14,846

(a) Residential mortgage-backed securities include agency-backed bonds totaling $6,161 million and $4,503 million at June 30, 2011, and December 31, 2010, respectively.

(b) In connection with certain borrowings and letters of credit relating to certain assumed reinsurance contracts, $57 million and $153 million of primarily U.K. Treasury securities were pledged as collateral at June 30, 2011, and December 31, 2010, respectively.

(c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $15 million and $12 million at June 30, 2011, and December 31, 2010, respectively.

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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
June 30, 2011										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	**$ 1,169**	**0.6%**	**$ 10**	**4.6%**	**$ 1,152**	**0.6%**	**$ 7**	**3.2%**	**$**	**%**
States and political subdivisions	**1**	**8.9**							**1**	**8.9**
Foreign government	**1,326**	**3.3**	**106**	**2.6**	**1,017**	**3.4**	**203**	**3.4**		
Mortgage-backed residential	**7,847**	**2.7**			**3**	**6.3**	**51**	**5.8**	**7,793**	**2.7**
Asset-backed	**2,221**	**1.2**	**22**	**0.3**	**1,367**	**0.9**	**360**	**1.3**	**472**	**2.0**
Corporate debt	**1,553**	**4.5**	**11**	**2.6**	**672**	**3.6**	**724**	**5.2**	**146**	**5.6**
Other	**674**	**1.4**	**674**	**1.4**						
Total available-for-sale debt securities	**$ 14,791**	**2.5**	**$ 823**	**1.6**	**$ 4,211**	**1.8**	**$ 1,345**	**3.9**	**$ 8,412**	**2.7**
Amortized cost of available-for-sale debt securities	**$ 14,745**		**$ 822**		**$ 4,168**		**$ 1,336**		**$ 8,419**	
December 31, 2010										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$ 3,318	1.4%	$ 124	1.2%	$ 3,094	1.3%	$ 100	3.7%	$	%
States and political subdivisions	2	8.7							2	8.7
Foreign government	1,248	3.1	7	2.2	1,092	3.1	149	3.5		
Mortgage-backed residential	5,825	3.8			57	3.2	64	4.4	5,704	3.8
Asset-backed	1,948	2.5			1,146	2.2	500	2.4	302	4.0
Corporate debt	1,558	3.9	22	5.7	811	3.5	593	4.3	132	4.0
Other	151	1.5	151	1.5						
Total available-for-sale debt securities	$ 14,050	3.0	$ 304	1.7	$ 6,200	2.1	$ 1,406	3.5	$ 6,140	3.8
Amortized cost of available-for-sale debt securities	$ 14,008		$ 305		$ 6,152		$ 1,388		$ 6,163	

(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 $6.9 billion and $5.3 billion at June 30, 2011, and December 31, 2010, 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 and six months ended June 30, 2011, we did not recognize other-than-temporary impairment on available-for-sale securities.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Gross realized gains	**$ 100**	$ 126	**$ 194**	$ 277
Gross realized losses	**(8)**	(13)	**(18)**	(21)
Other-than-temporary impairment		(1)		(1)
Net realized gains	**$ 92**	$ 112	**$ 176**	$ 255

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

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Taxable interest	**$ 102**	$ 83	**$ 201**	$ 171
Taxable dividends	**6**	4	**11**	8
Interest and dividends exempt from U.S. federal income tax		3		10
Total interest and dividends on available-for-sale securities	**$ 108**	$ 90	**$ 212**	$ 189

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 June 30, 2011, 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 June 30, 2011, 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 June 30, 2011. Refer to Note 1 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	June 30, 2011				December 31, 2010			
	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	**$ 64**	**$**	**$**	**$**	$ 702	$ (11)	$	$
States and political subdivisions	**1**				2	(1)		
Foreign government	**462**	**(1)**			323	(2)		
Mortgage-backed residential	**3,878**	**(77)**	**1**		3,159	(77)	11	(2)
Asset-backed	**474**	**(5)**			238	(1)	2	
Corporate debt	**627**	**(8)**			653	(13)	5	
Other	**61**				80	(1)		
Total temporarily impaired debt securities	**5,567**	**(91)**	**1**		5,157	(106)	18	(2)
Temporarily impaired equity securities	**422**	**(38)**	**137**	**(20)**	250	(27)	26	(3)
Total temporarily impaired available-for-sale securities	**$ 5,989**	**$ (129)**	**$ 138**	**$ (20)**	$ 5,407	$ (133)	$ 44	$ (5)

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7. Loans Held-for-sale, Net

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

	June 30, 2011			December 31, 2010		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer mortgage						
1st Mortgage	**$ 6,188**	**$ 223**	**$ 6,411**	$ 10,191	$ 364	$ 10,555
Home equity	**757**		**757**	856		856
Total loans held-for-sale (a)(b)	**$ 6,945**	**$ 223**	**$ 7,168**	$ 11,047	$ 364	$ 11,411

(a) Fair value option-elected domestic consumer mortgages were $2.5 billion and $6.4 billion at June 30, 2011, and December 31, 2010, 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 $246 million and $161 million at June 30, 2011, and December 31, 2010, respectively.

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

($ in millions)	**June 30, 2011**	December 31, 2010
High original loan-to-value (greater than 100%) mortgage loans	**$ 273**	$ 331
Payment-option adjustable-rate mortgage loans	**10**	16
Interest-only mortgage loans	**460**	481
Below-market rate (teaser) mortgages	**129**	151
Total (a)	**$ 872**	$ 979

(a) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at June 30, 2011, and December 31, 2010.

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.

	June 30, 2011			December 31, 2010		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer automobile	**$ 41,495**	**$ 17,240**	**$ 58,735**	$ 34,604	$ 16,650	$ 51,254
Consumer mortgage						
1st Mortgage	**6,857**	**286**	**7,143**	6,917	390	7,307
Home equity	**3,269**		**3,269**	3,441		3,441
Total consumer mortgage	**10,126**	**286**	**10,412**	10,358	390	10,748
Commercial						

Commercial and industrial						
Automobile	**26,125**	**9,250**	**35,375**	24,944	8,398	33,342
Mortgage	**1,185**	**28**	**1,213**	1,540	41	1,581
Other	**1,432**	**234**	**1,666**	1,795	312	2,107
Commercial real estate						
Automobile	**2,129**	**208**	**2,337**	2,071	216	2,287
Mortgage		**41**	**41**	1	78	79
Total commercial	**30,871**	**9,761**	**40,632**	30,351	9,045	39,396
Loans at fair value (a)	**618**	**328**	**946**	663	352	1,015
Total finance receivables and loans (b)	**$ 83,110**	**$ 27,615**	**$ 110,725**	$ 75,976	$ 26,437	$ 102,413

(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 June 30, 2011, and December 31, 2010, respectively.

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

Three months ended June 30, 2011 *($ in millions)*	**Consumer automobile**	**Consumer mortgage**	**Commercial**	**Total**
Allowance at April 1, 2011	**$ 916**	**$ 563**	**$ 327**	**$ 1,806**
Charge-offs				
Domestic	**(95)**	**(48)**	**(12)**	**(155)**
Foreign	**(33)**	**(2)**	**(17)**	**(52)**
Total charge-offs	**(128)**	**(50)**	**(29)**	**(207)**
Recoveries				
Domestic	**51**	**6**	**6**	**63**
Foreign	**17**		**6**	**23**
Total recoveries	**68**	**6**	**12**	**86**
Net charge-offs	**(60)**	**(44)**	**(17)**	**(121)**
Provision for loan losses	**51**	**39**	**(39)**	**51**
Other	**4**		**(1)**	**3**
Allowance at June 30, 2011	**$ 911**	**$ 558**	**$ 270**	**$ 1,739**

Three months ended June 30, 2010 *($ in millions)*	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2010	$ 1,120	$ 634	$ 726	$ 2,480
Charge-offs				
Domestic	(151)	(77)	(91)	(319)
Foreign	(50)		(49)	(99)
Total charge-offs	(201)	(77)	(140)	(418)
Recoveries				
Domestic	74	4	5	83
Foreign	18	1	9	28
Total recoveries	92	5	14	111
Net charge-offs	(109)	(72)	(126)	(307)
Provision for loan losses	117	97	4	218
Discontinued operations	2	1	(2)	1

Other	(10)	(1)	(4)	(15)
Allowance at June 30, 2010	$ 1,120	$ 659	$ 598	$ 2,377

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Six months ended June 30, 2011 *($ in millions)*	**Consumer automobile**	**Consumer mortgage**	**Commercial**	**Total**
Allowance at January 1, 2011	**$ 970**	**$ 580**	**$ 323**	**$ 1,873**
Charge-offs				
Domestic	**(234)**	**(108)**	**(18)**	**(360)**
Foreign	**(75)**	**(2)**	**(48)**	**(125)**
Total charge-offs	**(309)**	**(110)**	**(66)**	**(485)**
Recoveries				
Domestic	**101**	**9**	**12**	**122**
Foreign	**36**		**17**	**53**
Total recoveries	**137**	**9**	**29**	**175**
Net charge-offs	**(172)**	**(101)**	**(37)**	**(310)**
Provision for loan losses	**104**	**79**	**(19)**	**164**
Other	**9**		**3**	**12**
Allowance at June 30, 2011	**$ 911**	**$ 558**	**$ 270**	**$ 1,739**
Allowance for loan losses				
Individually evaluated for impairment	**$**	**$ 94**	**$ 57**	**$ 151**
Collectively evaluated for impairment	**899**	**464**	**213**	**1,576**
Loans acquired with deteriorated credit quality	**12**			**12**
Finance receivables and loans at historical cost				
Ending balance	**58,735**	**10,412**	**40,632**	**109,779**
Individually evaluated for impairment		**549**	**1,070**	**1,619**
Collectively evaluated for impairment	**58,612**	**9,863**	**39,562**	**108,037**
Loans acquired with deteriorated credit quality	**123**			**123**

Six months ended June 30, 2010 *($ in millions)*	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2010	$ 1,024	$ 640	$ 781	$ 2,445
Cumulative effect of change in accounting principles (a)	222			222
Charge-offs				
Domestic	(437)	(109)	(152)	(698)
Foreign	(109)	(2)	(53)	(164)
Total charge-offs	(546)	(111)	(205)	(862)
Recoveries				
Domestic	177	8	9	194
Foreign	35	1	9	45

Total recoveries	212	9	18	239
Net charge-offs	(334)	(102)	(187)	(623)
Provision for loan losses	225	115	22	362
Discontinued operations	5		(3)	2
Other	(22)	6	(15)	(31)
Allowance at June 30, 2010	$ 1,120	$ 659	$ 598	$ 2,377
Allowance for loan losses				
Individually evaluated for impairment	$	$ 102	$ 277	$ 379
Collectively evaluated for impairment	1,090	557	321	1,968
Loans acquired with deteriorated credit quality	30			30
Finance receivables and loans at historical cost				
Ending balance	41,715	11,286	37,370	90,371
Individually evaluated for impairment		398	1,727	2,125
Collectively evaluated for impairment	41,490	10,888	35,643	88,021
Loans acquired with deteriorated credit quality	225			225

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

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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.

The following table presents information about significant sales of finance receivables and loans.

($ in millions)	Three months ended June 30, 2011	Six months ended June 30, 2011
Sales		
Consumer automobile	$ 1,318	$ 1,318
Consumer mortgage	28	93
Commercial		6
Total sales	$ 1,346	$ 1,417

The following table presents information about our impaired finance receivables and loans.

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
June 30, 2011					
Consumer mortgage					
1st Mortgage	$ 465	$ 459	$	$ 459	$ 54
Home equity	90	91		91	40
Total consumer mortgage	555	550		550	94
Commercial					
Commercial and industrial					
Automobile	388	388	56	332	27
Mortgage	29	29	1	28	5
Other	58	55	19	36	7
Commercial real estate					
Automobile	129	129	78	51	16
Mortgage	38	38	8	30	2
Total commercial	642	639	162	477	57
Total consumer and commercial	$ 1,197	$ 1,189	$ 162	$ 1,027	$ 151

December 31, 2010

Consumer mortgage					
1st Mortgage	$ 410	$ 404	$	$ 404	$ 59
Home equity	82	83		83	40
Total consumer mortgage	492	487		487	99
Commercial					
Commercial and industrial					
Automobile	340	356	33	323	23
Mortgage	44	40		40	14
Other	135	133	20	113	51
Commercial real estate					
Automobile	206	197	108	89	29
Mortgage	71	71	28	43	10
Total commercial	796	797	189	608	127
Total consumer and commercial	$ 1,288	$ 1,284	$ 189	$ 1,095	$ 226

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

	2011		2010	
Three months ended June 30, *($ in millions)*	**Average balance**	**Interest income**	Average balance	Interest income
Consumer mortgage				
1st Mortgage	**$ 448**	**$ 4**	$ 307	$ 3
Home equity	**90**	**1**	60	1
Total consumer mortgage	**538**	**5**	367	4
Commercial				
Commercial and industrial				
Automobile	**360**	**1**	345	1
Mortgage	**32**			
Other	**99**		877	1
Commercial real estate				
Automobile	**140**		279	1
Mortgage	**45**		193	
Total commercial	**676**	**1**	1,694	3
Total consumer and commercial	**$ 1,214**	**$ 6**	$ 2,061	$ 7

	2011		2010	
Six months ended June 30, *($ in millions)*	**Average balance**	**Interest income**	Average balance	Interest income
Consumer mortgage				
1st Mortgage	**$ 435**	**$ 8**	$ 276	$ 5
Home equity	**88**	**2**	51	2
Total consumer mortgage	**523**	**10**	327	7
Commercial				
Commercial and industrial				
Automobile	**353**	**1**	391	1
Mortgage	**36**	**5**		
Other	**113**	**1**	918	1
Commercial real estate				
Automobile	**162**		279	1
Mortgage	**55**	**1**	229	1
Total commercial	**719**	**8**	1,817	4

Total consumer and commercial	**$ 1,242**	**$ 18**	$ 2,144	$ 11

At June 30, 2011, and December 31, 2010, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were $11 million and $15 million, respectively.

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The following table presents an analysis of our past due finance receivables and loans.

($ 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
June 30, 2011						
Consumer automobile	**$ 727**	**$ 159**	**$ 169**	**$ 1,055**	**$ 57,680**	**$ 58,735**
Consumer mortgage						
1st Mortgage	**100**	**46**	**184**	**330**	**6,813**	**7,143**
Home equity	**22**	**9**	**11**	**42**	**3,227**	**3,269**
Total consumer mortgage	**122**	**55**	**195**	**372**	**10,040**	**10,412**
Commercial						
Commercial and industrial						
Automobile	**14**	**15**	**126**	**155**	**35,220**	**35,375**
Mortgage			**1**	**1**	**1,212**	**1,213**
Other			**1**	**1**	**1,665**	**1,666**
Commercial real estate						
Automobile		**3**	**50**	**53**	**2,284**	**2,337**
Mortgage			**38**	**38**	**3**	**41**
Total commercial	**14**	**18**	**216**	**248**	**40,384**	**40,632**
Total consumer and commercial	**$ 863**	**$ 232**	**$ 580**	**$ 1,675**	**$ 108,104**	**$ 109,779**
December 31, 2010						
Consumer automobile	$ 828	$ 175	$ 197	$ 1,200	$ 50,054	$ 51,254
Consumer mortgage						
1st Mortgage	115	67	205	387	6,920	7,307
Home equity	20	12	13	45	3,396	3,441
Total consumer mortgage	135	79	218	432	10,316	10,748
Commercial						
Commercial and industrial						
Automobile	21	19	85	125	33,217	33,342
Mortgage		36	4	40	1,541	1,581
Other			20	20	2,087	2,107
Commercial real estate						
Automobile		4	78	82	2,205	2,287
Mortgage			71	71	8	79
Total commercial	21	59	258	338	39,058	39,396

Total consumer and commercial	$ 984	$ 313	$ 673	$ 1,970	$ 99,428	$ 101,398

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The following table presents the carrying amount of our finance receivables and loans on nonaccrual status.

($ in millions)	June 30, 2011	December 31, 2010
Consumer automobile	$ 184	$ 207
Consumer mortgage		
1st Mortgage	344	500
Home equity	54	61
Total consumer mortgage	398	561
Commercial		
Commercial and industrial		
Automobile	360	296
Mortgage	29	40
Other	55	134
Commercial real estate		
Automobile	127	199
Mortgage	38	71
Total commercial	609	740
Total consumer and commercial	$ 1,191	$ 1,508

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 select credit quality indicators that are used in the determination of allowance 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.

	June 30, 2011			December 31, 2010		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$ 58,551	$ 184	$ 58,735	$ 51,047	$ 207	$ 51,254
Consumer mortgage						
1st Mortgage	6,799	344	7,143	6,807	500	7,307
Home equity	3,215	54	3,269	3,380	61	3,441
Total consumer mortgage	$ 10,014	$ 398	$ 10,412	$ 10,187	$ 561	$ 10,748

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans.

	June 30, 2011			December 31, 2010		
($ in millions)	**Pass**	**Criticized (a)**	**Total**	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	**$ 32,790**	**$ 2,585**	**$ 35,375**	$ 31,254	$ 2,088	$ 33,342
Mortgage	**1,134**	**79**	**1,213**	1,504	77	1,581
Other	**1,025**	**641**	**1,666**	1,041	1,066	2,107
Commercial real estate						
Automobile	**2,123**	**214**	**2,337**	2,013	274	2,287
Mortgage	**1**	**40**	**41**		79	79
Total commercial	**$ 37,073**	**$ 3,559**	**$ 40,632**	$ 35,812	$ 3,584	$ 39,396

(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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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)	**June 30, 2011**	December 31, 2010
High original loan-to-value (greater than 100%) mortgage loans	**$ 5**	$ 5
Payment-option adjustable-rate mortgage loans	**4**	5
Interest-only mortgage loans	**3,284**	3,681
Below-market rate (teaser) mortgages	**266**	284
Total (a)	**$ 3,559**	$ 3,975

(a) The majority of these loans are held by our Mortgage Legacy Portfolio and Other operations at June 30, 2011, and December 31, 2010.

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	**June 30, 2011**	December 31, 2010
Vehicles and other equipment	**$ 11,622**	$ 13,571
Accumulated depreciation	**(2,607)**	(4,443)
Investment in operating leases, net	**$ 9,015**	$ 9,128

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 June 30,		**Six months ended June 30,**	
($ in millions)	**2011**	2010	**2011**	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	**$ 356**	$ 725	**$ 759**	$ 1,565
Gross remarketing gains	**(164)**	(199)	**(282)**	(383)
Depreciation expense on operating lease assets	**$ 192**	$ 526	**$ 477**	$ 1,182

10. Securitizations and Variable Interest Entities

Overview

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

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

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 Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans 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 six months ended June 30, 2011 and 2010, our consumer mortgage loans were primarily securitized through the GSEs.

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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 the aggregate, these beneficial interests have the same average life as the transferred financial assets. 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. We securitize conforming residential mortgage loans through GSE securitizations and nonconforming mortgage loans through private-label securitizations.

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. Additionally, the securitization entity is required to service the assets it holds and the beneficial interests it issues. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to perform these functions. 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

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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 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. Our obligation to provide support is limited to the customary representation and warranty provisions. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor 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 six months ended June 30, 2011 and 2010.

Other Variable Interest Entities

Servicer Advance Funding Entity

To assist in the financing of our servicer advance receivables, we formed an SPE that issues term 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 June 30, 2011, and December 31, 2010. 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 six months ended June 30, 2011 and 2010.

Other

In 2010, we sold a portfolio of resort finance-backed receivables to a third party that financed the acquisition through an SPE. We provided seller financing for the purchase of these assets and also hold a contingent value right in the SPE, which were both recorded at fair value. We do not consolidate the SPE because we have no control over the activities of the SPE.

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 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.

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. Subsequent to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*, on January 1, 2010, 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.

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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
June 30, 2011			
On-balance sheet variable interest entities			
Consumer automobile	**$ 24,684**	**$**	**$**
Consumer mortgage private-label	**1,244**		
Commercial automobile	**17,469**		
Other	**950**		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	**2,876(b)**	**42,324**	**42,324(c)**
Consumer mortgage CMHC	**93(b)**	**3,882**	**93(d)**
Consumer mortgage private-label	**178(b)**	**4,977**	**4,977(c)**
Consumer mortgage other		**(e)**	**19(f)**
Commercial other	**398(g)**	**(h)**	**598**
Total	**$ 47,892**	**$ 51,183**	**$ 48,011**
December 31, 2010			
On-balance sheet variable interest entities			
Consumer automobile	$ 20,064	$	$
Consumer mortgage private-label	1,397		
Commercial automobile	15,114		
Other	1,035		
Off-balance sheet variable interest entities			
Consumer mortgage Ginnie Mae	2,909(b)	43,595	43,595(c)
Consumer mortgage CMHC	124(b)	4,222	124(d)
Consumer mortgage private-label	183(b)	5,371	5,371(c)
Commercial other	483(g)	(h)	698
Total	$ 41,309	$ 53,188	$ 49,788

(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 $2.5 billion classified as mortgage loans held-for-sale, $126 million and $162 million classified as trading securities or other assets, and $601 million and $569 million classified as mortgage servicing rights at June 30, 2011, and December 31, 2010, 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 $430 million and $515 million classified as finance receivables and loans, net, and $20 million and $20 million classified as other assets, offset by $52 million and $52 million classified as accrued expenses and other liabilities at June 30, 2010, and December 31, 2010, 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. However, in 2010 we sold loans with an unpaid principal balance of $1.5 billion into these VIEs.

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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.

Subsequent to adoption of ASU 2009-17 as of January 1, 2010, 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. Under ASC 810, *Consolidation*, as amended by ASU 2009-17, 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.

Subsequent to the adoption of ASU 2009-17 as of January 1, 2010, 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. Under ASU 2009-17, 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, under ASU 2009-17, 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

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liability. As an accounting policy election, we elected fair value treatment for our existing 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 June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Consumer mortgage GSEs	**$ 267**	$ 192	**$ 265**	$ 374
Consumer mortgage private-label	**2**	2	**1**	5
Total pretax gain	**$ 269**	$ 194	**$ 266**	$ 379

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 six months ended June 30, 2011 and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Six months ended June 30, *($ in millions)*	Consumer mortgage GSEs	Consumer mortgage private-label
2011		
Cash proceeds from transfers completed during the period	**$ 28,418**	**$ 727**
Cash flows received on retained interests in securitization entities		**37**
Servicing fees	**495**	**72**
Purchases of previously transferred financial assets	**(1,068)**	**(11)**
Representations and warranties obligations	**(100)**	**(28)**
Other cash flows	**67**	**141**
2010		
Cash proceeds from transfers completed during the period	$ 27,006	$ 472
Cash flows received on retained interests in securitization entities		37
Servicing fees	391	102
Purchases of previously transferred financial assets	(811)	(13)
Representations and warranties obligations	(248)	(5)
Other cash flows	71	(50)

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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 finance receivables and loans		Amount 60 days or more past due	
	June 30,	December 31,	**June 30,**	December 31,
($ in millions)	**2011**	2010	**2011**	2010
On-balance sheet loans				
Consumer automobile	**$ 58,735**	$ 51,254	**$ 328**	$ 373
Consumer mortgage (a)	**18,526**	23,174	**3,286**	3,437
Commercial automobile	**37,712**	35,629	**194**	186
Commercial mortgage	**1,254**	1,660	**39**	110
Commercial other	**1,666**	2,107	**1**	20
Total on-balance sheet loans	**117,893**	113,824	**3,848**	4,126
Off-balance sheet securitization entities				
Consumer mortgage GSEs	**260,595**	253,192	**10,132**	13,990
Consumer mortgage private-label	**69,681**	73,638	**11,884**	12,220
Total off-balance sheet securitization entities	**330,276**	326,830	**22,016**	26,210
Whole-loan transactions (b)	**36,097**	38,212	**2,200**	2,950
Total	**$ 484,266**	$ 478,866	**$ 28,064**	$ 33,286

(a) Includes loans subject to conditional repurchase options of $2.3 billion guaranteed by the GSEs at both June 30, 2011, and December 31, 2010, and $135 million and $146 million sold to certain private-label mortgage securitization entities at June 30, 2011, and December 31, 2010, respectively.
(b) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to private-label investors.

	Net credit losses			
	Three months ended		Six months ended	
	June 30,	June 30,	**June 30,**	June 30,
($ in millions)	**2011**	2010	**2011**	2010
On-balance sheet loans				
Consumer automobile	**$ 60**	$ 120	**$ 172**	$ 359
Consumer mortgage	**33**	(6)	**81**	(35)
Commercial automobile	**8**	23	**11**	40
Commercial mortgage	**9**	7	**25**	49

Commercial other		96	**1**	98
Total on-balance sheet loans	**110**	240	**290**	511
Off-balance sheet securitization entities				
Consumer mortgage GSEs (a)	**n/m**	n/m	**n/m**	n/m
Consumer mortgage private-label	**1,010**	1,257	**2,299**	2,638
Total off-balance sheet securitization entities	**1,010**	1,257	**2,299**	2,638
Whole-loan transactions	**55**	341	**270**	690
Total	**$ 1,175**	$ 1,838	**$ 2,859**	$ 3,839

n/m = not meaningful

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

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Changes in Accounting for Variable Interest Entities

For the six months ended June 30, 2011 and 2010, there were no material changes in the accounting for variable interest entities except the initial adoption of ASU 2009-17 on January 1, 2010. Refer to Note 11 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K regarding this initial adoption.

11. Servicing Activities

Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value.

Three months ended June 30, *($ in millions)*	**2011**	2010
Estimated fair value at April 1,	**$ 3,774**	$ 3,543
Additions recognized on sale of mortgage loans	**144**	167
Additions from purchases of servicing rights	**15**	20
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**(135)**	(543)
Other changes in fair value	**(97)**	(206)
Other changes that affect the balance		2
Estimated fair value at June 30,	**$ 3,701**	$ 2,983

Six months ended June 30, ($ in millions)	**2011**	2010
Estimated fair value at January 1,	**$ 3,738**	$ 3,554
Additions recognized on sale of mortgage loans	**328**	369
Additions from purchases of servicing rights	**16**	21
Subtractions from disposition of servicing assets	**(266)**	
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**163**	(494)
Other changes in fair value	**(278)**	(450)
Decrease due to change in accounting principle		(19)
Other changes that affect the balance		2
Estimated fair value at June 30,	**$ 3,701**	$ 2,983

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. The decrease due to change in accounting principle reflects the effect of the initial adoption of ASU 2009-17.

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)	**June 30, 2011**	December 31, 2010
Weighted average life *(in years)*	**8.2**	7.0
Weighted average prepayment speed	**7.3%**	9.8%
Impact on fair value of 10% adverse change	**$ (127)**	$ (155)
Impact on fair value of 20% adverse change	**(246)**	(295)
Weighted average discount rate	**12.5%**	12.3%
Impact on fair value of 10% adverse change	**$ (102)**	$ (80)
Impact on fair value of 20% adverse change	**(198)**	(156)

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

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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 June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Change in estimated fair value of mortgage servicing rights	**$ (232)**	$ (748)	**$ (115)**	$ (944)
Change in fair value of derivative financial instruments	**127**	727	**(77)**	790
Servicing valuation and hedge activities, net	**$ (105)**	$ (21)	**$ (192)**	$ (154)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Contractual servicing fees, net of guarantee fees and including subservicing	**$ 258**	$ 266	**$ 528**	$ 524
Late fees	**16**	19	**37**	38
Ancillary fees	**38**	43	**72**	90
Total mortgage servicing fees	**$ 312**	$ 328	**$ 637**	$ 652

Mortgage Servicing Advances

In connection with our primary servicing activities (i.e., servicing of mortgage loans), we make certain payments of 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 June 30, 2011, and December 31, 2010, respectively. We maintain an allowance for uncollected primary servicing advances of $22 million and $25 million at June 30, 2011, and December 31, 2010, respectively. 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 June 30, 2011, and December 31, 2010, outstanding servicer advances related to subserviced loans were $122 million and $140 million, respectively, and we had a reserve for uncollected subservicer advances of $2 million and $1 million, respectively.

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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 $114 million and $90 million at June 30, 2011, and December 31, 2010, respectively. We had no reserve for uncollected master-servicing advances at June 30, 2011, or December 31, 2010.

Serviced Mortgage Assets

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

($ in millions)	**June 30, 2011**	December 31, 2010
On-balance sheet mortgage loans		
Held-for-sale and investment	**$ 18,057**	$ 20,224
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	**58,530**	63,685
GSEs	**262,748**	255,388
Whole-loan	**17,543**	17,524
Purchased servicing rights	**3,576**	3,946
Total primary serviced mortgage loans	**360,454**	360,767
Subserviced mortgage loans	**23,737**	24,173
Master-servicing-only mortgage loans	**9,649**	10,548
Total serviced mortgage loans	**$ 393,840**	$ 395,488

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 June 30, 2011, our Mortgage operations were in compliance with the servicer-rating requirements of the master agreements.

In certain domestic securitizations of our Mortgage operations, the surety or other provider of contractual credit support is entitled 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. Our Mortgage operations did not receive notice of termination from surety providers during the six months ended June 30, 2011.

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 $41 million and $87 million for the three months and six months ended June 30, 2011, respectively, compared to $56 million and $117 million for the three months and six months ended June 30, 2010.

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Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

($ in millions)	June 30, 2011	December 31, 2010
On-balance sheet automobile loans		
Consumer automobile	**$ 58,735**	$ 51,254
Commercial automobile	**37,712**	35,629
Operating leases	**9,015**	9,128
Operations held-for-sale	**10**	242
Off-balance sheet automobile loans		
Loans sold to third-party investors		
Whole-loan	**14,961**	18,126
Other	**1,191**	979
Total serviced automobile loans	**$ 121,624**	$ 115,358

12. Other Assets

The components of other assets were as follows.

($ in millions)	June 30, 2011	December 31, 2010
Property and equipment at cost	**$ 1,306**	$ 1,315
Accumulated depreciation	**(940)**	(939)
Net property and equipment	**366**	376
Fair value of derivative contracts in receivable position	**4,154**	3,966
Servicer advances	**2,012**	2,137
Restricted cash collections for securitization trusts (a)	**1,730**	1,705
Restricted cash and cash equivalents	**1,324**	1,323
Collateral placed with counterparties	**1,042**	1,569
Cash reserve deposits held for securitization trusts (b)	**921**	1,168
Debt issuance costs	**736**	704
Prepaid expenses and deposits	**722**	638
Other accounts receivable	**582**	641
Goodwill	**526**	525
Nonmarketable equity securities	**457**	504
Real estate and other investments	**336**	280
Interests retained in financial asset sales	**307**	568
Investment in used vehicles held-for-sale	**279**	386
Accrued interest and rent receivable	**218**	238

Repossessed and foreclosed assets		**164**		211
Assets of operations held-for-sale (c)		**(48)**		690
Other assets		**894**		625
Total other assets	**$**	**16,722**	$	18,254

(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.

(c) Includes $94 million of unrecognized translation losses in the measurement of impairment at both June 30, 2011, and December 31, 2010 related to our International Automotive Finance operations in Venezuela.

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13. Deposit Liabilities
Deposit liabilities consisted of the following.

($ in millions)	**June 30, 2011**	December 31, 2010
Domestic deposits		
Noninterest-bearing deposits	**$ 2,405**	$ 2,108
NOW and money market checking accounts	**8,287**	8,081
Certificates of deposit	**26,178**	23,728
Dealer deposits	**1,715**	1,459
Total domestic deposit liabilities	**38,585**	35,376
Foreign deposits		
Noninterest-bearing deposits		23
NOW and money market checking accounts	**1,188**	961
Certificates of deposit	**2,171**	2,390
Dealer deposits	**318**	298
Total foreign deposit liabilities	**3,677**	3,672
Total deposit liabilities	**$ 42,262**	$ 39,048

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 June 30, 2011, and December 31, 2010, certificates of deposit included $8.5 billion and $7.0 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.

	June 30, 2011			December 31, 2010		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Demand notes	**$ 2,446**	**$**	**$ 2,446**	$ 2,033	$	$ 2,033
Bank loans and overdrafts	**1,654**		**1,654**	1,970		1,970
Federal Home Loan Bank		**1,000**	**1,000**		1,300	1,300
Other (a)	**197**	**1,833**	**2,030**	224	1,981	2,205
Total short-term borrowings	**$ 4,297**	**$ 2,833**	**$ 7,130**	$ 4,227	$ 3,281	$ 7,508

(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.

	June 30, 2011			December 31, 2010		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Long-term debt						
Due within one year	**$ 6,382**	**$ 12,267**	**$ 18,649**	$ 8,555	$ 13,603	$ 22,158
Due after one year (a)	**39,610**	**33,021**	**72,631**	38,499	25,508	64,007
Fair value adjustment	**443**		**443**	447		447
Total long-term debt (b)	**$ 46,435**	**$ 45,288**	**$ 91,723**	$ 47,501	$ 39,111	$ 86,612

(a) Includes $7.4 billion guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) and $2.6 billion of trust preferred securities at both June 30, 2011, and December 31, 2010.

(b) Includes fair value option-elected secured long-term debt of $899 million and $972 million at June 30, 2011, and December 31, 2010, respectively. Refer to Note 21 for additional information.

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The following table presents the scheduled remaining maturity of long-term debt at June 30, 2011, 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)*	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$ 4,415	$ 12,256	$ 1,919	$ 5,737	$ 3,749	$ 20,480	$ 443	$ 48,999
Original issue discount	(369)	(351)	(264)	(190)	(56)	(1,334)		(2,564)
Total unsecured	4,046	11,905	1,655	5,547	3,693	19,146	443	46,435
Secured								
Long-term debt	6,733	10,616	11,232	7,998	4,456	3,956		44,991
Troubled debt restructuring concession (a)	51	105	82	46	13			297
Total secured	6,784	10,721	11,314	8,044	4,469	3,956		45,288
Total long-term debt	$ 10,830	$ 22,626	$ 12,969	$ 13,591	$ 8,162	$ 23,102	$ 443	$ 91,723

(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 June 30, 2011, 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)*	2011	2012	2013	2014	2015	2016 and thereafter	Fair value adjustment	Total
ResCap								
Unsecured debt								
Long-term debt	$	$ 377	$ 530	$ 103	$ 114	$	$ 25	$ 1,149
Secured debt								
Long-term debt			731	707	707	1,784		3,929
Troubled debt restructuring concession	51	105	82	46	13			297
Total secured debt	51	105	813	753	720	1,784		4,226
ResCap Total long-term debt	$ 51	$ 482	$ 1,343	$ 856	$ 834	$ 1,784	$ 25	$ 5,375

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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.

	June 30, 2011		December 31, 2010	
($ in millions)	**Total**	**Ally Bank (a)**	Total	Ally Bank (a)
Trading securities	**$ 31**	**$**	$ 36	$
Investment securities	**1,972**	**1,972**	2,191	2,190
Loans held-for-sale	**919**		1,035	
Mortgage assets held-for-investment and lending receivables	**11,725**	**10,589**	12,451	11,137
Consumer automobile finance receivables	**36,601**	**19,287**	27,164	14,927
Commercial automobile finance receivables	**19,176**	**12,689**	19,741	15,034
Investment in operating leases, net	**894**	**565**	3,199	
Mortgage servicing rights	**2,807**	**1,774**	2,801	1,746
Other assets	**4,079**	**1,907**	3,990	1,700
Total assets restricted as collateral (b)	**$ 78,204**	**$ 48,783**	$ 72,608	$ 46,734
Secured debt (c)	**$ 48,121**	**$ 23,882**	$ 42,392	$ 20,199

(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 $10.9 billion and $15.2 billion at June 30, 2011, and December 31, 2010, 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 $8.2 billion and $5.3 billion at June 30, 2011, and December 31, 2010, respectively. These assets were primarily composed of mortgage servicing rights; consumer 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 $2,833 million and $3,281 million of short-term borrowings at June 30, 2011, and December 31, 2010, 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 2 (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.

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Funding Facilities

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

As of June 30, 2011, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB complement Ally Bank s private committed facilities.

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 June 30, 2011, $31.3 billion of our $37.5 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. At June 30, 2011, we had $12.3 billion of committed funding capacity with a remaining tenor greater than 364 days, which is an increase of $2.9 billion from March 31, 2011.

Committed Funding Facilities

	Outstanding		**Unused capacity (a)**		**Total capacity**	
	June 30,	Dec. 31,	**June 30,**	Dec. 31,	**June 30,**	Dec. 31,
($ in billions)	**2011**	2010	**2011**	2010	**2011**	2010
Bank funding						
Secured	**$ 6.4**	$ 6.4	**$ 3.1**	$ 1.9	**$ 9.5**	$ 8.3
Nonbank funding						
Unsecured						
Automotive Finance operations	**0.3**	0.8	**0.5**		**0.8**	0.8
Secured						
Automotive Finance operations	**12.0**	8.3	**9.5**	9.1	**21.5**	17.4
Mortgage operations	**1.0**	1.0	**0.6**	0.6	**1.6**	1.6
Total nonbank funding	**13.3**	10.1	**10.6**	9.7	**23.9**	19.8
Shared capacity (b)	**0.1**	0.2	**4.0**	3.9	**4.1**	4.1
Total committed facilities	**$ 19.8**	$ 16.7	**$ 17.7**	$ 15.5	**$ 37.5**	$ 32.2

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
(b) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

	Outstanding		Unused capacity		Total capacity	
	June 30,	Dec. 31,	**June 30,**	Dec. 31,	**June 30,**	Dec. 31,
($ in billions)	**2011**	2010	**2011**	2010	**2011**	2010
Bank funding						
Secured						
Federal Reserve funding programs	**$**	$	**$ 3.9**	$ 4.0	**$ 3.9**	$ 4.0
FHLB advances	**4.5**	5.3	**1.4**	0.2	**5.9**	5.5
Total bank funding	**4.5**	5.3	**5.3**	4.2	**9.8**	9.5
Nonbank funding						
Unsecured						
Automotive Finance operations	**1.7**	1.4	**0.6**	0.6	**2.3**	2.0
Secured						
Automotive Finance operations	**0.1**	0.1	**0.1**		**0.2**	0.1
Mortgage operations			**0.1**	0.1	**0.1**	0.1
Total nonbank funding	**1.8**	1.5	**0.8**	0.7	**2.6**	2.2
Total uncommitted facilities	**$ 6.3**	$ 6.8	**$ 6.1**	$ 4.9	**$ 12.4**	$ 11.7

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16. Equity

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

	June 30, 2011	December 31, 2010
Mandatorily convertible preferred stock held by U.S. Department of Treasury (a)		
Series F-2 preferred stock		
Carrying value *($ in millions)*	**$5,685**	$5,685
Par value *(per share)*	**$0.01**	$0.01
Liquidation preference *(per share)*	**$50**	$50
Number of shares authorized	**228,750,000**	228,750,000
Number of shares issued and outstanding	**118,750,000**	118,750,000
Dividend/coupon	**Fixed 9%**	
Redemption/call feature	**Perpetual(b)**	
Preferred stock		
Series A preferred stock (c)		
Carrying value *($ in millions)*	**$1,021**	$1,053
Par value *(per share)*	**$0.01**	$0.01
Liquidation preference *(per share)*	**$25**	$1,000
Number of shares authorized	**160,870,560**	4,021,764
Number of shares issued and outstanding	**40,870,560**	1,021,764
Dividend/coupon		
Prior to May 15, 2016	**8.5%**	
On and after May 15, 2016	**LIBOR + 6.243%**	
Redemption/call feature	**Perpetual(d)**	
Series G preferred stock		
Carrying value *($ 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%**	
Redemption/call feature	**Perpetual(e)**	

(a) Mandatorily convertible to common equity on December 30, 2016.
(b) Convertible prior to mandatory conversion date with consent of Treasury.
(c) Refer to next section of this note for a description of an amendment to the Series A preferred stock that occurred on March 25, 2011.
(d) Nonredeemable prior to May 15, 2016.
(e) Nonredeemable prior to December 31, 2011.

Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally s existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally s Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally s Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred

Stock) and the liquidation amount was reduced from $1,000 per share to $25 per share. The Amendment, and a corresponding amendment to Ally s bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of such stock in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

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Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Ally, noncumulative cash dividends. Beginning March 25, 2011, to but excluding May 15, 2016, dividends accrue at a fixed rate of 8.500% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 1, May 1, August 1, or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Ally Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Ally has paid the dividends payable on shares of the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Ally s Certificate of Incorporation. Ally may not redeem the Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Ally s creditors.

The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of $32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation. Refer to Note 20 to the Consolidated Financial Statements in our 2010 Annual Report on Form 10-K for terms of the Series A Preferred Stock prior to the Amendment.

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17. Earnings per Common Share

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

($ in millions except per share data)	Three months ended June 30, **2011**	Three months ended June 30, 2010	Six months ended June 30, **2011**	Six months ended June 30, 2010
Net income from continuing operations	**$ 110**	$ 402	**$ 280**	$ 553
Preferred stock dividends U.S. Department of Treasury (a)	**(134)**		**(267)**	(386)
Preferred stock dividends (a)	**(57)**	(25)	**(127)**	(142)
Impact of preferred stock amendment			**32**	
Net (loss) income from continuing operations attributable to common shareholders (b)	**(81)**	377	**(82)**	25
Income (loss) from discontinued operations, net of tax	**3**	163	**(21)**	174
Net (loss) income attributable to common shareholders	**$ (78)**	$ 540	**$ (103)**	$ 199
Basic weighted-average common shares outstanding	**1,330,970**	799,120	**1,330,970**	799,120
Diluted weighted-average common shares outstanding (b)	**1,330,970**	1,787,320	**1,330,970**	799,120
Basic earnings per common share				
Net (loss) income from continuing operations	**$ (61)**	$ 472	**$ (62)**	$ 32
Income (loss) from discontinued operations, net of tax	**2**	204	**(16)**	217
Net (loss) income	**$ (59)**	$ 676	**$ (78)**	$ 249
Diluted earnings per common share (b)				
Net (loss) income from continuing operations	**$ (61)**	$ 211	**$ (62)**	$ 32
Income (loss) from discontinued operations, net of tax	**2**	91	**(16)**	217
Net (loss) income	**$ (59)**	$ 302	**$ (78)**	$ 249

(a) The first quarter of 2010 included two quarterly cash dividends each for the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, and Fixed Rate Cumulative Perpetual Preferred Stock, Series G, totaling $477 million, which were deducted from income to arrive at basic and diluted earnings per common share. Traditionally, the second dividend in the first quarter of 2010 totaling $303 million would have been declared in the second quarter and deducted from income to arrive at basic and diluted earnings per common share for the second quarter.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the for the three and six months ended June 30, 2011, and the six months ended June 30, 2010, income attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The 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 and six months ended June 30, 2011, and the six months ended June 30, 2010, as the effects would be antidilutive for those periods. As such, 574,156 of potential common shares were excluded from the diluted earnings per share calculation for the three and six months ended June 30, 2011, and 988,200 of potential common shares were excluded from the diluted earnings per share calculation for the six months ended June 30, 2010.

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

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involve quantitative measures of our assets and certain off-balance sheet items as calculated under regulatory accounting practices. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital 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, and qualifying preferred stock (including senior preferred stock issued and sold to Treasury under TARP) less goodwill and other adjustments. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

A banking institution 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.

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

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

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The following table summarizes our capital ratios.

	June 30, 2011		December 31, 2010		Required	Well-capitalized
($ in millions)	**Amount**	**Ratio**	Amount	Ratio	minimum	minimum
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 22,116**	**14.65%**	$ 22,189	15.00%	4.00%	6.00%
Ally Bank	**11,768**	**17.54**	10,738	19.23	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	**$ 23,966**	**15.87%**	$ 24,213	16.36%	15.00%(a)	10.00%
Ally Bank	**12,591**	**18.76**	11,438	20.48	8.00	10.00
Tier 1 leverage (to adjusted average assets) (b)						
Ally Financial Inc.	**$ 22,116**	**12.47%**	$ 22,189	13.05%	3.00 4.00%	(c)
Ally Bank	**11,768**	**15.63**	10,738	15.81	15.00(d)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	**$ 12,635**	**8.37%**	$ 12,677	8.57%	n/a	n/a
Ally Bank	**n/a**	**n/a**	n/a	n/a	n/a	n/a

n/a = not applicable

(a) Ally is subject to a directive from the Board of Governors of the Federal Reserve System (FRB) to maintain a Total risk-based capital ratio of 15% which expires no later than December 31, 2011.

(b) Federal regulatory reporting guidelines require the calculation of adjusted average assets using a daily average methodology. We currently calculate using a combination of monthly and daily average methodologies.

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

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

At June 30, 2011, Ally and Ally Bank were well-capitalized and met all capital requirements to which we were subject.

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord) of the Bank for International Settlements Basel Committee on Banking Supervision (Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is required to comply with the Basel II rules, as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period that includes four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. During this period, capital is calculated using both Basel I and Basel II methodologies. Upon completion of this parallel run and with the approval of the primary U.S. banking regulator, Ally will begin to use Basel II to calculate regulatory capital. However, under a recently finalized capital rule that implements a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Ally must continue to calculate its risk-based capital requirements under Basel I, with certain exceptions, and the capital requirements it computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II.

In addition to Basel II, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III) in 2010, which, when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the

Dodd-Frank Act. Basel III increases the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing

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capital for periods of excess credit growth. Basel III also introduces a non-risk-adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules, when implemented, will also impose a 15% cap on the amount of the common equity component of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, MSRs and deferred tax assets through timing differences, as well as a 10% cap on the amount of each of the three individual items that may be included in the common equity component of Tier 1 capital. In addition, under Basel III rules, after a ten-year phaseout period beginning on January 1, 2013, trust preferred and other hybrid securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions, trust preferred and other hybrid securities are phased out from Tier 1 capital in a three-year period starting January 1, 2013.

Pending final rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III. Additionally, it is anticipated that during 2011 the U.S. banking agencies will issue final rules based on the 2010 Notice of Proposed Rulemaking on the Risk-Based Capital Guidelines for Market Risk. We continue to monitor developments with respect to both Basel III and Market Risk rules.

In July 2011, the Financial Stability Board, which is an inter-governmental body coordinating the overall set of measures to reduce the moral hazard posed by global systemically important financial institutions, approved a consultative paper, which, if implemented in the United States, would require global systemically important banks in the United States to hold additional Tier 1 common equity of 1% to 2.5% of risk-weighted assets plus another 1% for material growth. The additional capital requirement would be phased in between January 1, 2016 and January 1, 2019. We are not able to predict at this time whether Ally would meet the qualifications of a global systemically important bank and whether these additional capital requirements, when implemented in the United States, would apply to Ally.

Compliance with Basel regulation is a strategic priority for Ally. We expect to be in compliance with all relevant Basel rules within the established timelines.

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 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. Our qualifying accounting hedges consist of hedges of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. In June 2011, we also executed qualifying accounting hedges 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 apply hedge accounting to certain relationships in which we utilize derivative instruments to hedge interest rate risk associated with our fixed- and variable-rate debt. 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

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this risk, we maintain a portfolio of financial instruments, primarily derivative instruments, which 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 and their interrelated impact to prepayments.

We use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, mortgage-backed securities (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, and therefore, trading volume can be large.

Mortgage loan commitments and mortgage 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 mortgage-backed securities, 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 certain portions of the mortgage portfolio. Nonderivative instruments may also be periodically used to economically hedge the mortgage portfolio, such as short positions on U.S. Treasuries. We monitor and actively manage our risk on a daily basis. We do not apply hedge accounting to this derivative 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 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 during the remainder of the quarter and prospectively. For the net investment hedges that were designated under the spot method for the first portion of the quarter, the hedges were recorded at fair value with changes recorded to other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For the new net investment hedges

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that were designated under the forward method, the hedges were recorded at fair value with the changes recorded to other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

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

Except for our net investment hedges, 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 at June 30, 2011, the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling $1.0 billion and $1.6 billion at June 30, 2011, and December 31, 2010, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $797 million and $916 million at June 30, 2011, and December 31, 2010, 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 June 30, 2011, and December 31, 2010, we received noncash collateral of $120 million and $29 million, respectively.

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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.

	June 30, 2011			December 31, 2010		
	Fair value of derivative contracts in			Fair value of derivative contracts in		
($ in millions)	**receivable position (a)**	**payable position (b)**	**Notional amount**	receivable position (a)	payable position (b)	Notional amount
Qualifying accounting hedges						
Interest rate risk						
Fair value accounting hedges	**$ 420**	**$ 60**	**$ 11,043**	$ 443	$ 114	$ 11,895
Cash flow hedges	**5**		**3,000**			
Foreign exchange risk						
Net investment accounting hedges	**34**	**39**	**8,006**	12	72	4,407
Total qualifying accounting hedges	**459**	**99**	**22,049**	455	186	16,302
Economic hedges						
Interest rate risk						
MSRs and retained interests	**3,345**	**3,452**	**593,225**	2,896	3,118	325,768
Mortgage loan commitments and mortgage loans held-for-sale	**70**	**89**	**32,334**	232	80	38,788
Debt	**147**	**60**	**24,778**	160	107	21,269
Other	**69**	**50**	**36,336**	80	129	32,734
Total interest rate risk	**3,631**	**3,651**	**686,673**	3,368	3,434	418,559
Foreign exchange risk	**64**	**99**	**9,381**	143	240	14,359
Total economic hedges	**3,695**	**3,750**	**696,054**	3,511	3,674	432,918
Total derivatives	**$ 4,154**	**$ 3,849**	**$ 718,103**	$ 3,966	$ 3,860	$ 449,220

(a) Reported as other assets on the Condensed Consolidated Balance Sheet. Includes accrued interest of $175 million and $263 million at June 30, 2011, and December 31, 2010, respectively.

(b) Reported as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. Includes accrued interest of $19 million and $23 million at June 30, 2011, and December 31, 2010, respectively.

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Statement of Income Presentation and Accumulated Other Comprehensive Income

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	**2011**	2010	**2011**	2010
Qualifying accounting hedges				
Gain recognized in earnings on derivatives (a)				
Interest rate contracts				
Interest on long-term debt	**$ 262**	$ 316	**$ 114**	$ 397
Loss recognized in earnings on hedged items (b)				
Interest rate contracts				
Interest on long-term debt	**(254)**	(285)	**(108)**	(347)
Total qualifying accounting hedges	**8**	31	**6**	50
Economic hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	**127**	727	**(77)**	790
Loss on mortgage and automotive loans, net	**(190)**	(257)	**(230)**	(401)
Other gain on investments, net			**1**	
Other income, net of losses	**(41)**	13	**(33)**	(26)
Other operating expenses	**4**	(2)	**8**	(6)
Total interest rate contracts	**(100)**	481	**(331)**	357
Foreign exchange contracts (c)				
Interest on long-term debt	**48**	(96)	**61**	(235)
Other income, net of losses	**(28)**	224	**(133)**	573
Total foreign exchange contracts	**20**	128	**(72)**	338
(Loss) gain recognized in earnings on derivatives	**$ (72)**	$ 640	**$ (397)**	$ 745

(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 $82 million and $103 million for the three months ended June 30, 2011 and 2010, respectively, and $170 million and $189 million for the six months ended June 30, 2011 and 2010, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were $53 million and $45 million for the three months ended June 30, 2011 and 2010, respectively, and $117 million and $84 million for the six months ended June 30, 2011 and 2010, respectively.

(c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of $33 million and $114 million were recognized for the three months ended June 30, 2011 and 2010, respectively. Gains of $57 million and losses of $359 million were recognized for the six months ended June 30, 2011 and 2010, respectively.

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

($ in millions)	Three months ended June 30, 2011	Three months ended June 30, 2010	Six months ended June 30, 2011	Six months ended June 30, 2010
Net investment hedges				
Foreign exchange contracts				
Losses recorded directly to other income, net of losses (a)	**$**	$	**$ (3)**	$ (1)
(Losses) gains recognized in other comprehensive income (b)	**(79)**	65	**(226)**	21
(Losses) gains reclassified from accumulated other comprehensive income to other income, net of losses	**(5)**	16	**(8)**	17

(a) The amounts represent the forward points which were excluded from the assessment of hedge effectiveness for hedges designated prior to March 16, 2011.

(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 was offsetting income of $63 million and offsetting losses of $67 million for the three months ended June 30, 2011 and 2010, respectively. There was offsetting income of $209 million and offsetting losses of $23 million for the six months ended June 30, 2011 and 2010, respectively.

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20. Income Taxes

We recognized total income tax expense from continuing operations of $82 million and $14 million during the three months and six months ended June 30, 2011, respectively, and income tax expense from continuing operations of $33 million and $69 million during the three months and six months ended June 30, 2010, respectively. A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate for continuing operations is shown in the following table.

	Three months ended June 30,			
	2011		2010	
($ in millions)	**Amount**	**Percent**	Amount	Percent
Statutory U.S. federal tax expense and rate	**$ 67**	**35.0%**	$ 152	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	**46**	**24.0**	(154)	(35.4)
Foreign tax differential	**(32)**	**(16.7)**	4	0.9
Taxes on unremitted foreign earnings	**12**	**6.3**	(18)	(4.1)
State and local income taxes, net of federal income tax benefit	**(5)**	**(2.6)**	(2)	(0.5)
Tax-exempt income			(2)	(0.5)
Foreign capital loss			54	12.4
Other, net	**(6)**	**(3.3)**	(1)	(0.2)
Tax expense and effective tax rate	**$ 82**	**42.7%**	$ 33	7.6%

	Six months ended June 30,			
	2011		2010	
($ in millions)	**Amount**	**Percent**	Amount	Percent
Statutory U.S. federal tax expense and rate	**$ 103**	**35.0%**	$ 218	35.0%
Change in tax rate resulting from				
Effect of valuation allowance change	**(48)**	**(16.3)**	(193)	(31.0)
Foreign tax differential	**(45)**	**(15.3)**	(7)	(1.1)
Taxes on unremitted foreign earnings	**18**	**6.1**	5	0.8
State and local income taxes, net of federal income tax benefit	**(7)**	**(2.4)**	5	0.8
Tax-exempt income	**(2)**	**(0.7)**	(5)	(0.8)
Foreign capital loss			54	8.7
Other, net	**(5)**	**(1.6)**	(8)	(1.3)
Tax expense and effective tax rate	**$ 14**	**4.8%**	$ 69	11.1%

During the six months ended June 30, 2011, we recorded a $101 million reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries. The reversal related to modifications to the legal structure of our Canadian operations. Additionally, we recorded other net increases to our consolidated valuation allowance on deferred tax assets of $153 million, stemming primarily from net increases to our deferred tax assets during the period.

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.

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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 significant transfers between any levels during the six months ended June 30, 2011.

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.

Available-for-sale securities Available-for-sale securities are carried at fair value primarily based on observable market prices. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

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 agency-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 nonagency eligible 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

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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 that was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

Securitized mortgage loans are legally isolated from us and are beyond the reach of our creditors. The loans are measured at fair value using a portfolio approach. The objective in fair valuing the loans and related securitization debt is to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds are expected to be volatile. Since this approach involves the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3, at June 30, 2011, and December 31, 2010. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

Commercial finance receivables and loans, net We evaluate our commercial finance receivables and loans, net, for impairment. We generally base the evaluation on the fair value of the underlying collateral supporting the loans when expected to be the sole source of repayment. When the carrying value exceeds the fair value of the collateral, an impairment loss is recognized and reflected as a nonrecurring fair value measurement.

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 Interests retained in financial asset sales are carried at fair value. The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; 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 exchange 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

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accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are entered into the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We 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 all of the above-mentioned 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). The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

Collateral placed with counterparties Collateral in the form of investment securities are primarily carried at fair value using quoted prices in active markets for similar assets.

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

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

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

Financial Assets and Financial Liabilities for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

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Recurring Fair Value

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

	Recurring fair value measurements			
June 30, 2011 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Trading securities				
Mortgage-backed residential	**$**	**$ 272**	**$ 39**	**$ 311**
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	**585**	**584**		**1,169**
States and political subdivisions		**1**		**1**
Foreign government	**969**	**357**		**1,326**
Mortgage-backed residential		**7,846**	**1**	**7,847**
Asset-backed		**2,154**	**67**	**2,221**
Corporate debt securities	**13**	**1,540**		**1,553**
Other debt securities		**674**		**674**
Total debt securities	**1,567**	**13,156**	**68**	**14,791**
Equity securities (a)	**1,155**	**15**		**1,170**
Total available-for-sale securities	**2,722**	**13,171**	**68**	**15,961**
Mortgage loans held-for-sale, net (b)		**2,523**	**22**	**2,545**
Consumer mortgage finance receivables and loans, net (b)			**946**	**946**
Mortgage servicing rights			**3,701**	**3,701**
Other assets				
Interests retained in financial asset sales			**307**	**307**
Fair value of derivative contracts in receivable position				
Interest rate	**45**	**3,874**	**137**	**4,056**
Foreign currency		**97**	**1**	**98**
Total fair value of derivative contracts in receivable position	**45**	**3,971**	**138**	**4,154**
Collateral placed with counterparties (c)	**176**			**176**
Total assets	**$ 2,943**	**$ 19,937**	**$ 5,221**	**$ 28,101**
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	**$**	**$**	**$ (899)**	**$ (899)**
Accrued expenses and other liabilities				

Fair value of derivative contracts in payable position				
Interest rate	**(45)**	**(3,616)**	**(50)**	**(3,711)**
Foreign currency		**(137)**	**(1)**	**(138)**
Total fair value of derivative contracts in payable position	**(45)**	**(3,753)**	**(51)**	**(3,849)**
Loan repurchase liabilities (b)			**(19)**	**(19)**
Trading liabilities		**(182)**		**(182)**
Total liabilities	**$ (45)**	**$ (3,935)**	**$ (969)**	**$ (4,949)**

(a) Our investment in one industry did not exceed 20%.
(b) Carried at fair value due to fair value option elections.
(c) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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	Recurring fair value measurements			
December 31, 2010 *($ in millions)*	Level 1	Level 2	Level 3	Total
Assets				
Trading securities				
U.S. Treasury and federal agencies	$ 77	$	$	$ 77
Mortgage-backed residential		25	44	69
Asset-backed			94	94
Total trading securities	77	25	138	240
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	3,313	5		3,318
States and political subdivisions		2		2
Foreign government	873	375		1,248
Mortgage-backed residential		5,824	1	5,825
Asset-backed		1,948		1,948
Corporate debt securities		1,558		1,558
Other debt securities		151		151
Total debt securities	4,186	9,863	1	14,050
Equity securities (a)	796			796
Total available-for-sale securities	4,982	9,863	1	14,846
Mortgage loans held-for-sale, net (b)		6,420	4	6,424
Consumer mortgage finance receivables and loans, net (b)			1,015	1,015
Mortgage servicing rights			3,738	3,738
Other assets				
Interests retained in financial asset sales			568	568
Fair value of derivative contracts in receivable position				
Interest rate	242	3,464	105	3,811
Foreign currency		155		155
Total fair value of derivative contracts in receivable position	242	3,619	105	3,966
Collateral placed with counterparties (c)	728			728
Total assets	$ 6,029	$ 19,927	$ 5,569	$ 31,525
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	$	$	$ (972)	$ (972)
Accrued expenses and other liabilities				
Fair value of derivative contracts in payable position				
Interest rate	(208)	(3,222)	(118)	(3,548)
Foreign currency		(312)		(312)
Total fair value of derivative contracts in payable position	(208)	(3,534)	(118)	(3,860)

Total liabilities	$ (208)	$ (3,534)	$ (1,090)	$ (4,832)

(a) Our investment in one industry did not exceed 23%.
(b) Carried at fair value due to fair value option elections.
(c) Represents collateral in the form of investment securities. Cash collateral was excluded above.

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The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. 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 April 1, 2011	included in earnings	included in other comprehensive income	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2011	Net unrealized gains (losses) included in earnings still held at June 30, 2011
Assets									
Trading securities									
Mortgage-backed residential	$ 40	$ 2(a)	$	$	$	$	$ (3)	$ 39	$ 6(a)
Investment securities									
Available-for-sale securities									
Debt securities									
Mortgage-backed residential	1							1	
Asset-backed	117	20(b)	(6)		(64)			67	
Total investment securities	118	20	(6)		(64)			68	
Mortgage loans held-for-sale, net (c)	18			9	(1)		(4)	22	
Consumer mortgage finance receivables and loans, net (c)	971	101(c)					(126)	946	50(c)
Mortgage servicing rights	3,774	(232)(d)		15		144		3,701	(232)(d)
Other assets									
Interests retained in financial asset sales	569	134(e)				1	(397)	307	(2)(e)
Derivative contracts, net									
Interest rate	111	(12)(f)					(12)	87	(25)(f)
Foreign currency	2	(2)(f)							(2)(f)
Total fair value of derivative contracts in receivable (payable) position, net	113	(14)					(12)	87	(27)
Total assets	$ 5,603	$ 11	$ (6)	$ 24	$ (65)	$ 145	$ (542)	$ 5,170	$ (205)
Liabilities									
Long-term debt									
On-balance sheet securitization debt (c)	$ (922)	$ (100)(c)	$	$	$	$	$ 123	$ (899)	$ (44)(c)

Accrued expenses and other liabilities									
Loan repurchases liabilities (c)	**(14)**			**(9)**			**4**	**(19)**	
Total liabilities	**$ (936)**	**$ (100)**	**$**	**$ (9)**	**$**	**$**	**$ 127**	**$ (918)**	**$ (44)**

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

(b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Condensed Consolidated Statement of Income.

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

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

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

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	Level 3 recurring fair value measurements					
		Net realized/unrealized gain (losses)				
($ in millions)	Fair value at April 1, 2010	included in earnings	included in other comprehensive income	Purchases, issuances, and settlements, net	Fair value at June 30, 2010	Net unrealized gains (losses) included in earnings still held at June 30, 2010
Assets						
Trading securities						
Mortgage-backed residential	$ 54	$ (4)(a)	$	$ (4)	$ 46	$ 2(a)
Asset-backed	89		(2)		87	
Total trading securities	143	(4)	(2)	(4)	133	2
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed residential	3		(1)		2	
Asset-backed	13			(5)	8	
Total investment securities	16		(1)	(5)	10	
Consumer mortgage finance receivables and loans, net (b)	2,572	375(b)		(602)	2,345	166(b)
Mortgage servicing rights	3,543	(748)(c)		188	2,983	(748)(c)
Other assets						
Cash reserve deposits held-for-securitization trusts	2				2	
Interests retained in financial asset sales	411	30(d)		24	465	4(d)
Derivative contracts, net						
Interest rate contracts in receivable (payable) position, net	4	136(e)		(35)	105	196(e)
Total assets	$ 6,691	$ (211)	$ (3)	$ (434)	$ 6,043	$ (380)
Liabilities						
Long-term debt						
On-balance sheet securitization debt (b)	$ (2,384)	$ (361)(b)	$	$ 567	$ (2,178)	$ (201)(b)
Total liabilities	$ (2,384)	$ (361)	$	$ 567	$ (2,178)	$ (201)

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

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

(c) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
(d) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
(e) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements								
		Net realized/unrealized gains (losses)							
($ in millions)	Fair value at January 1, 2011	included in earnings	included in other comprehensive income	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2011	Net unrealized gains (losses) included in earnings still held at June 30, 2011
Assets									
Trading securities									
Mortgage-backed residential	$ 44	$ 3(a)	$	$	$	$	$ (8)	$ 39	$ 8(a)
Asset-backed	94				(94)				
Total trading securities	138	3			(94)		(8)	39	8
Investment securities									
Available-for-sale securities									
Debt securities									
Mortgage-backed residential	1							1	
Asset-backed		20(b)	17	94	(64)			67	
Total investment securities	1	20	17	94	(64)			68	
Mortgage loans held-for-sale, net (c)	4			23	(1)		(4)	22	
Consumer mortgage finance receivables and loans, net (c)	1,015	174(c)	1				(244)	946	66(c)
Mortgage servicing rights	3,738	(115)(d)		16	(266)(e)	328		3,701	(115)(d)
Other assets									
Interests retained in financial asset sales	568	157(f)				1	(419)	307	(8)(f)
Derivative contracts, net									
Interest rate	(13)	129(g)					(29)	87	98(g)
Total assets	$ 5,451	$ 368	$ 18	$ 133	$ (425)	$ 329	$ (704)	$ 5,170	$ 49
Liabilities									
Long-term debt									
On-balance sheet securitization debt (c)	$ (972)	$ (167)(c)	$ 1	$	$	$	$ 239	$ (899)	$ (39)(c)
Accrued expenses and other liabilities									
Loan repurchases liabilities (c)				(23)			4	(19)	
Total liabilities	$ (972)	$ (167)	$ 1	$ (23)	$	$	$ 243	$ (918)	$ (39)

(a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading securities in the Condensed Consolidated Statement of Income.
(b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Condensed Consolidated Statement of Income.
(c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Income.
(d) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Income.
(e) 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.
(f) Reported as other income, net of losses, in the Condensed Consolidated Statement of Income.
(g) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Income.

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	Level 3 recurring fair value measurements					
		Net realized/unrealized gain (losses)				Net unrealized gains (losses) included in earnings still held at June 30, 2010
($ in millions)	Fair value at January 1, 2010	included in earnings	included in other comprehensive income	Purchases, issuances, and settlements, net	Fair value at June 30, 2010	
Assets						
Trading securities						
Mortgage-backed residential	$ 99	$ (a)	$	$ (53)	$ 46	$ 11(a)
Asset-backed	596			(509)	87	
Total trading securities	695			(562)	133	11
Investment securities						
Available-for-sale securities						
Debt securities						
Mortgage-backed residential	6		(1)	(3)	2	
Asset-backed	20			(12)	8	
Total investment securities	26		(1)	(15)	10	
Consumer mortgage finance receivables and loans, net (b)	1,303	788(b)		254	2,345	368(b)
Mortgage servicing rights	3,554	(944)(c)		373	2,983	(944)(c)
Other assets						
Cash reserve deposits held-for-securitization trusts	31			(29)	2	
Interests retained in financial asset sales	471	33(d)		(39)	465	6(d)
Derivative contracts, net						
Interest rate contracts in receivable (payable) position, net	103	(9)(e)		11	105	139(e)
Total assets	$ 6,183	$ (132)	$ (1)	$ (7)	$ 6,043	$ (420)
Liabilities						
Long-term debt						
On-balance sheet securitization debt (b)	$ (1,294)	$ (774)(b)	$	$ (110)	$ (2,178)	$ (442)(b)
Total liabilities	$ (1,294)	$ (774)	$	$ (110)	$ (2,178)	$ (442)

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

(b)

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

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

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

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

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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				Lower of cost or fair value or valuation reserve	Total loss included in earnings for	Total loss included in earnings for
June 30, 2011 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**	**allowance**	**the three months ended**	**the six months ended**
Assets							
Mortgage loans held-for-sale (a)	**$**	**$**	**$ 855**	**$ 855**	**$ (57)**	**n/m(b)**	**n/m(b)**
Commercial finance receivables and loans, net (c)							
Automotive			**427**	**427**	**(42)**	**n/m(b)**	**n/m(b)**
Mortgage		**8**	**22**	**30**	**(5)**	**n/m(b)**	**n/m(b)**
Other			**57**	**57**	**(10)**	**n/m(b)**	**n/m(b)**
Total commercial finance receivables and loans, net		**8**	**506**	**514**	**(57)**	**n/m(b)**	**n/m(b)**
Other assets							
Property and equipment		**13**		**13**	**n/m(d)**	**$ (8)**	**$ (8)**
Repossessed and foreclosed assets (e)		**40**	**29**	**69**	**(9)**	**n/m(b)**	**n/m(b)**
Total assets	**$**	**$ 61**	**$ 1,390**	**$ 1,451**	**$ (123)**	**$ (8)**	**$ (8)**

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 loans.
(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) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.
(e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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	Nonrecurring fair value measures				Lower of cost or fair value or valuation reserve	Total gains included in earnings for	Total gains included in earnings for
June 30, 2010 *($ in millions)*	Level 1	Level 2	Level 3	Total	allowance	the three months ended	the six months ended
Assets							
Loans held-for-sale, net (a)							
Automotive	$	$	$ 295	$ 295	$ (96)	n/m(b)	n/m(b)
Mortgage			835	835	(61)	n/m(b)	n/m(b)
Total loans held-for-sale, net			1,130	1,130	(157)	n/m(b)	n/m(b)
Commercial finance receivables and loans, net (c)							
Automotive			379	379	(81)	n/m(b)	n/m(b)
Mortgage		44	65	109	(59)	n/m(b)	n/m(b)
Other			486	486	(161)	n/m(b)	n/m(b)
Total commercial finance receivables and loans, net		44	930	974	(301)	n/m(b)	n/m(b)
Other assets							
Real estate and other investments (d)		23		23	n/m(e)	$ 1	$ 2
Repossessed and foreclosed assets (f)		44	73	117	(29)	n/m(b)	n/m(b)
Total assets	$	$ 111	$ 2,133	$ 2,244	$ (487)	$ 1	$ 2

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower of cost or fair value. The table above includes only loans with fair values below cost during 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific loans.
(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
(c) Represents the portion of the portfolio specifically impaired during 2010. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
(d) Represents model homes impaired during 2010. The total gain included in earnings represents adjustments to the fair value of the portfolio based on actual sales during the three months and six months ended June 30, 2010.
(e) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.
(f) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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 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 Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Condensed Consolidated Statement of Income.

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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 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 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 Income.

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The following table summarizes 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 Income						
Three months ended June 30, *($ in millions)*	**Interest and fees on finance receivables and loans**	**Interest on loans held-for-sale**	**Interest on long-term debt**	**Gain on mortgage loans, net**	**Other income, net of losses**	**Total included in earnings**	**Change in fair value due to credit risk (a)**
2011							
Assets							
Mortgage loans held-for-sale, net	**$**	**$ 38(b)**	**$**	**$ 244**	**$**	**$ 282**	**$ (c)**
Consumer mortgage finance receivables and loans, net	**52(b)**				**49**	**101**	**22(d)**
Liabilities							
Long-term debt							
On-balance sheet securitization debt	**$**	**$**	**$ (29)(e)**	**$**	**$ (71)**	**$ (100)**	**$ (50)(f)**
Total						**$ 283**	
2010							
Assets							
Mortgage loans held-for-sale, net	$	$ 36 (b)	$	$ 225	$	$ 261	$ (c)
Consumer mortgage finance receivables and loans, net	159 (b)				215	374	(35)(d)
Liabilities							
Long-term debt							
On-balance sheet securitization debt	$ (18)	$	$ (71)(e)	$	$ (271)	$ (360)	$ 34 (f)
Total						$ 275	

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

credit adjustments to the extent any bond classes are downgraded by rating agencies.

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Six months ended June 30, ($ in millions)	Interest and fees on finance receivables and loans	Interest on loans held-for-sale	Interest on long-term debt	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (a)
	Changes included in the Condensed Consolidated Statement of Income						
2011							
Assets							
Mortgage loans held-for-sale, net	**$**	**$ 79(b)**	**$**	**$ 284**	**$**	**$ 363**	**$ (c)**
Consumer mortgage finance receivables and loans, net	**106(b)**				**68**	**174**	**5 (d)**
Liabilities							
Long-term debt							
On-balance sheet securitization debt	**$**	**$**	**$ (60)(e)**	**$**	**$ (107)**	**$ (167)**	**$ (23)(f)**
Total						**$ 370**	
2010							
Assets							
Mortgage loans held-for-sale, net	$	$ 92(b)	$	$ 409	$	$ 501	$ (c)
Consumer mortgage finance receivables and loans, net	328(b)				459	787	(69)(d)
Liabilities							
Long-term debt							
On-balance sheet securitization debt	$ (18)	$	$ (167)(e)	$	$ (588)	$ (773)	$ 71(f)
Total							