Docket #2820 Date Filed: 2/1/2013

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:	**Case No. 12-12020 (MG)**
RESIDENTIAL CAPITAL, LLC, et al.,	**Chapter 11**
Debtors.	Jointly Administered

APPENDIX TO THE OBJECTION OF FINANCIAL GUARANTY INSURANCE COMPANY TO THE DEBTORS' SECOND SUPPLEMENTAL MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF RMBS TRUST SETTLEMENT AGREEMENTS

DOCUMENT DESCRIPTION	DOCUMENT IDENTIFIER	A.
Deposition Transcript (Excerpts) of Mark Renzi dated Nov. 7, 2012	N/A	1
Deposition Transcript (Excerpts) of Thomas Marano dated Nov. 12, 2012	N/A	2
Deposition Transcript (Excerpts) of Tammy Hamzehpour dated Nov. 13, 2012	N/A	3
Deposition Transcript (Excerpts) of John Mack dated Nov. 14, 2012	N/A	4
Deposition Transcript (Excerpts) of Jeffrey Cancelliere dated Nov. 14, 2012	N/A	5
Deposition Transcript (Excerpts) of James Whitlinger dated Nov. 15, 2012	N/A	6
Deposition Transcript (Excerpts) of Jeffrey Lipps dated Nov. 19, 2012	N/A	7
Deposition Transcript (Excerpts) of Timothy Devine dated Nov. 19, 2012	N/A	8
Letter dated 10/17/11 from Gibbs & Bruns LLP to Ally Financial	RC-9019_00048950	9
Email dated 10/19/11 from M. Carpenter to W. Solomon re: PLS Claimant	RC-9019_00084876	10
Letter dated 10/21/11 from W. Solomon to K. Patrick	Ex. 9019-121	11
Letter, dated 10/25/11 from Gibbs & Bruns to Ally Financial	RC-9019_00048948	12
Email dated 11/2/11 from T. Devine to J. Belisle re: Urgent Review: MAC Talk Points	RC-9019_00084074	13
Email dated 12/5/11 from T. Devine to T. Hamzehpour re: Kathy Patrick	ALLY_0209271	14
Email dated 12/19/11 from K. Patrick to T. Hamzehpour, et al. re: Letter from T. Devine	RC-9019_00057131	15
Email dated 12/19/11 from L. Rosten to K. Patrick re: Letter from T. Devine	RC-9019_00058226	16
Email dated 1/9/12 chain from T. Devine to K. Patrick, D. Sheeren cc: T. Hamzehpour, J. Ruckdaschel, D. Hagens, re: Confi and Tolling Agreement with attached Tolling Gibbs Bruns ResCap (5).docx; Confidentiality Agreement Gibbs Bruns Clients ResCap (3).docx	Ex. 9019-73	17
Email dated 1/13/12 from D. Sheeren to T. Devine re: Confi and Tolling Agreement	RC-9019_00058305	18
Letter and minutes from ResCap Board of Directors	Ex. 9019-98	19
Email dated 2/20/12 from J. Mackey to M. Carpenter re: Call	ALLY_0142440	20
Email dated 3/7/12 from T. Hamzehpour to T. Devine re: ResCap Discussions	RC-9019_00090060	21
Email dated 3/7/12 from Talcott Franklin to T. Devine re: Call	TFPC_0000016	22
Email dated 5/13/12 from T. Devine to N. Ornstein re: Rule 408 Communication	ALLY_0144343	23
Email dated 3/16/12 from T. Marano to T. Devine re: Confidential Attorney Client Privileged Work Product	ALLY_0226063	24

DOCUMENT DESCRIPTION	DOCUMENT IDENTIFIER	A.
Email dated 3/22/12 from G. Cavanaugh to T. Devine re: RFC	TFPC_0000088	25
Email dated 3/27/12 from T. Marano to M. Carpenter, T. Devine, T. Hamzehpour cc: W. Solomon, J. Brown re: FW: IMPORTANT – Please read – Follow-up – 6 year statute of limitation on contracts with attachment	Ex. 9019-56	26
SEC Form 10-Q for Ally Financial Inc. for the quarterly period ended 3/31/12	Ex. 9019-54	27
Email dated 4/16/12 from J. Ruckdaschel to K. Patrick re: Data Template	RC-9019_00060789	28
Email dated 4/17/12 from T. Devine to G. Lee re: K. Patrick follow-up	RC-9019_00061424	29
ResCap Memorandum dated 5/9/12 from C. Quenneville to S. Abreu, J. Ilany, J. Mack, T. Marano, T. Smith, P. West, J. Whitlinger cc: T. Hamzehpour, M. Cohen re: Residential Capital, LLC Board of Directors Meeting with attached agenda	Ex. 9019-95	30
Email dated 4/16/12, from T. Devine to K. Patrick re: Confidentiality Agreement	Ex. 9019-136	31
Email chain dated 4/27/12 from J. Mackey to D. DeBrunner, T. Marano, J. Whitlinger, S. Abreu, C. Weiss, T. Devine re: Rep and Warranties Range 1Q12.xlsx	Ex. 9019-137	32
Email dated 4/27/12 from T. Devine to W. Solomon re: Next Steps	RC-9019_00048970	33
Email dated 5/1/12 from T. Devine to R. Cieri, R. Schrock, G. Lee, L. Rosten cc: T. Hamzehpour, J. Ruckdaschel, W. Thompson, L. Delehey, P. Zellmann, W. Solomon re: FW: Meeting with KP Steering Committee	Ex. 9019-34	34
ResCap Memorandum from C. Quenneville to J. Ilany, J. Mack, T. Smith, P. West cc: S. Abreu, T. Marano, J. Whitlinger, dated 4/30/12 re: Residential Capital, LLC Audit Committee Meeting with attached agenda and supporting materials	Ex. 9019-55	35
Email dated 5/3/12 from T. Devine to K. Patrick re: Bi-Weekly Call with Gibbs & Bruns	ALLY_0143695	36
Email dated 5/4/12 from T. Devine to G. Lee and T. Hamzehpour re: Kathy Patrick	Ex. 9019-83	37
Email chain dated 5/6/12 from Mark Renzi to Timothy Devine and Jeff Cancelliere, cc: glee@mofo.com, William Nolan, and John Ruckdaschel, re: Help with waterfall before 8 pm if possible	Ex. 9019-142	38
Email dated 5/6/12 from T. Devine to J. Ruckdaschel re: Settlemnt argmt.kp	RC-9019_00060884	39
Email chain dated 5/7/12 from J. Cancelliere to, T. Devine, M. Renzi, G. Lee, T. Hamzehpour, W. Thompson, L. Delehey, J. Ruckdaschel cc: L. Nashelsky, W. Nolan re: KP	Ex. 9019-41	40
Email dated 5/7/12 from K. Patrick to G. Lee re: I'm on with client now. Free up at 9	RC-9019_00049153	41
Email dated 5/8/12 from T. Devine to G. Lee, R. Cieri, J. Levitt, T. Hamzehpour, J. Ruckdaschel cc: R. Schrock, W. Solomon, W. Thompson, L. Delehey re: Talcott Franklin	Ex. 9019-86	42
Email chain dated 5/8/12 from D. Soto to J. Brown re: Cost Benefit Analysis	Ex. 9019-105	43

DOCUMENT DESCRIPTION	DOCUMENT IDENTIFIER	A.
Email chain dated 5/7/12 - 5/8/12 from Mark Renzi to Timothy Devine, Gary S. Lee, and Richard M. Cieri, cc: John Ruckdaschel, Jeff Cancelliere, et al, , re: Are you available	Ex. 9019-144	44
Email dated 5/8/12 from T. Devine to G. Lee re: Are you available	RC-9019_00049175	45
Email dated 5/8/12 from J. Cancelliere to G. Lee re: Are you available	RC-9019_00060347	46
Email chain dated 5/9/12 from Gary S. Lee to Timothy Devine, Tammy Hamzehpour, et al, cc: Gary S. Lee re: Talcott Franklin	Ex. 148	47
ResCap Memorandum dated 5/9/12 from C. Quenneville to S. Abreu, J. Ilany, J. Mack, T. Marano, T. Smith, P. West, J. Whitlinger re: Residential Capital, LLC Board of Directors Meeting with attached agenda and supporting materials	Ex. 9019-04	48
Email dated 5/9/12 from G. Lee to J. Mack, J. Ilany, P. West, S. Abreu, T. Smith, T. Whitlinger, T. Marano cc: T. Hamzehpour, N. Evans, J. Tanenbaum, L. Nashelsky, J. Moldovan, J. Levy, D. Lerner re: Meeting Notice - ResCap Board Meeting, May 9, 2012, 3:00 pm (ET) privileged and confidential attorney-client communication with attached meeting materials	Ex. 9019-60	49
Minutes of a Special Meeting of the Board of Residential Capital, LLC ("ResCap") held by teleconference on due notice on May 9, 2012, at 3:00 p.m.	Ex. 9019-61	50
Email dated 5/9/12 from T. Devine to T. Hamzehpour, J. Ruckdaschel, R. Cieri, G. Lee, R. Schrock, J. Levitt, J. Cancelliere, W. Thompson, L. Delehey, M. Renzi re: Talcott Franklin	Ex. 9019-87	51
Email dated 5/9/12 from J. Cancelliere to T. Devine re: Defect rate	Ex. 9019-117	52
Email dated 5/9/12 from Timothy Devine to Gary S. Lee, cc: Richard M. Cieri and Ray C. Schrock re: KP	Ex. 9019-147	53
Email dated 5/9/12 from K. Patrick to G. Lee re: Update	RC-9019_00049218	54
Email dated 5/9/12 from K. Patrick to G. Lee re: RMBS Stipulated Claim	RC-9019_00049221	55
Email chain dated 5/9/12 - 5/10/12 from Kathy D. Patrick to Timothy Devine re: Settlement	Ex. 9019-150	56
Email chain dated 5/9/12 to 5/10/12 from Jamie A. Levitt to Timothy Devine, Gary S. Lee, et al, cc: William B. Solomon re: RMBS Stipulated Claim	Ex. 9019-151	57
Email dated 5/10/12 from N. Ornstein to G. Lee re: Kathy Patrick PSA and Settlement Agreement	RC-9019_00050246	58
Email chain dated 5/10/12 - 5/11/12 from Jamie A. Levitt to Timothy Devine re: turning drafts	Ex. 9019-153	59
Email dated 5/11/12 from N. Ornstein to R. Martin re: One Concept for PSA Not Captured Yet	ALLY_0182657	60
Email chain dated 5/12/12from Timothy Devine to Gary S. Lee, Jamie A. Levitt, et al re: Has Talcott Franklin signed on without reservation to support the Plan, including broad third party release of all claims against Ally etc including security claims?	Ex. 9019-154	61

Document Description	Document Identifier	A.
Email dated 10/26/11 from W. Solomon to M. Carpenter re: PLS Claimant	Ex. 9019-51	62
Email chain from Kathy D. Patrick to Jamie A. Levitt and Scott A. Humphries, dated 5/13/12, re: Settlement documents	Ex. 9019-158	63
Email chain from Jamie A. Levitt to Noah Ornstein and Anthony Princi, dated 5/13/12, re: Settlement documents	Ex. 9019-159	64
Email dated 5/13/12 from J. Levitt to N. Ornstein re: KP Settlement	RC-9019_00048597	65
Email dated 5/13/12 from T. Devine to J. Levitt re: Great News and Very Important Note	RC-9019_00050824	66
Email dated 5/13/12 from A. Princi to T. Devine re: Settlement Documents	RC-9019_00051061	67
Email dated 5/13/12 from G. Lee to N. Ornstein re: Settlement Documents	RC-9019_00055348	68
Email dated 5/13/12 from R. Cieri to T. Devine re: Settlement Documents	RC-9019_00061255	69
Letter, dated 11/4/12 from Morrison & Foerster to Judge Glenn	N/A	70
Email dated 12/15/11 from T. Devine to T. Hamzehpour re: Confi and Tolling Agreement	Ex. 9019-124	71
Email dated 4/23/12 from T. Hamzehpour to T. Devine re: Prep for KP	Ex. 9019-79	72
Email dated 5/13/12 from T. Devine to J. Levitt re: Great News and Very Important Note	RC-9019_00050824	73
Hearing Transcript (Excerpts) from Oct. 10, 2012	N/A	74
Deposition Transcript (Excerpts) of John Ruckdaschel, dated Nov. 8, 2012	N/A	75
Deposition Transcript (Excerpts) of Frank Sillman dated Nov. 20, 2012	N/A	76
Email dated 4/18/12 from G. Lee to L. Rosten, J. Cancelliere, T. Hamzehpour cc: T. Devine re: Prep for Kathy Patrick Meeting	Ex. 9019-14	77
Email dated 4/30/12 from M. Renzi to T. Devine, J. Levitt and G. Lee cc: W. Nolan, L. Park, F. Szymik and M. Renzi re: RE: Bounce - Discussion Materials (04-25-12)_Distribution File.pptx with attached Bounce - Discussion Materials (04-25-12)_Distribution File vl.pdf	Ex. 9019-19	78
Email chain dated 4/27/12 from T. Devine to W. Solomon, T. Hamzehpour, G. Lee, R. Cieri, R. Schrock, J. Ruckdaschel re: next steps	Ex. 9019-44	79
Email dated 10/19/11 from W. Solomon to M. Carpenter, B. Yastine, T. Marano, T. Hamzehpour, J. Brown, J. Mackey, C. Pinkston re: PLS Claimant	Ex. 9019-48	80
RMBS Trust Settlement Agreement dated 5/13/12	Ex. 9019-58	81
Email dated 6/8/2012 from Patrick M. Bryan to Jamie A. Levitt, Daniel T. Donovan, and Noah Ornstein, cc'ing others, re: Final Drafts of 9019 motion with declarations	Ex. 9019 Expert-14	82
Email chain dated 5/7/12 - 5/8/12 from Timothy Devine to Gary S. Lee and Richard M. Cieri re: Are you available	Ex. 9019-146	83
Email dated 3/16/12 from W. Solomon to T. Marano re: Attorney Client Work Product	Ex. 9019-64	84
Hearing Transcript (Excerpts) from Sept. 19, 2012	N/A	85

A. 35

ResCap

To: Members of the Residential Capital, LLC Audit Committee:

Jonathan Ilany
John Mack
Ted Smith
Pam West

cc: Steve Abreu
Tom Marano
Jim Whitlinger

Residential Capital, LLC Audit Committee Meeting
Tuesday, May 1, 2012, 12:00 – 2:00 pm (ET)
Dial-in No.: 866-203-0920 / International No.: 206-445-0056
Access Code: 53396-93036

A telephonic meeting of the ResCap Audit Committee will be held Tuesday, May 1, 2012, from 12:00 to 2:00 pm (ET). The purpose of the meeting is to review 2012 first quarter financial statements. An agenda and supporting materials are attached.

All directors are invited to attend the meeting. Please let me know if you are unable to participate. Feel free to contact me by phone (313-656-6301) or email (cathy.quenneville@ally.com) should you have any questions. Thank you.

Cathy Quenneville
Secretary
4/30/12

Attachments

Additional cc:	Ann Cummings	Jim Mackey
	Cathy Dondzila	Joe Moldovan
	Tammy Hamzehpour	Tom Robinson
	Carol Larson	Bill Solomon
	David Lerner	Brad Stevenson
	Jack Levy	Dan Tucci

EXHIBIT
PENGAD 800-631-6989
9019-55
11/12/12

ResCap Audit Committee
May 1, 2012
12:00 – 2:00 pm (Eastern)

AGENDA

			Start Time
1.	**Update on R&W Obligations, Litigation and Related Matters** *Tim Devine and Todd Kushman*	(20 min)	12:00 pm
2.	**Approval of 2012 First Quarter Private Financial Statements and Review of Related Accounting Matters** *Cathy Dondzila*	(60 min)	12:20 pm
3.	**Deloitte Report on 2012 First Quarter Review** *Tom Robinson and Brad Stevenson*	(20 min)	1:20 pm
4.	**Executive Session:** i. Management ii. Deloitte iii. Audit Director	(20 min)	1:40 pm

Audit Committee

Supplemental Materials

April 27, 2012

REDACTED

RESIDENTIAL CAPITAL, LLC

Condensed Consolidated Financial Statements for the Periods Ended March 31, 2012 and 2011 (Unaudited)

Condensed Consolidated Balance Sheet (unaudited)

Residential Capital, LLC

($ in thousands)	**March 31, 2012**	December 31, 2011
Assets		
Cash and cash equivalents	**$652,704**	$618,699
Mortgage loans held–for–sale ($46,419 and $56,976 fair value elected)	**4,270,826**	4,249,625
Finance receivables and loans, net		
Consumer ($832,094 and $835,192 fair value elected)	**996,559**	1,022,730
Commercial	**41,145**	38,017
Allowance for loan losses	**(28,788)**	(28,616)
Total finance receivables and loans, net	**1,008,916**	1,032,131
Mortgage servicing rights	**1,254,497**	1,233,107
Accounts receivable, net	**3,157,256**	3,051,748
Other assets	**5,331,372**	6,628,152
Total assets	**$15,675,571**	$16,813,462
Liabilities		
Borrowings		
Borrowings from parent and affiliate	**$1,409,873**	$1,189,364
Collateralized borrowings in securitization trusts ($828,418 and $829,940 fair value elected)	**828,418**	830,318
Other borrowings	**4,468,776**	4,705,404
Total borrowings	**6,707,067**	6,725,086
Other liabilities	**8,569,161**	9,996,026
Total liabilities	**15,276,228**	16,721,112
Equity		
Member's interest	**11,630,276**	11,433,776
Accumulated deficit	**(11,166,544)**	(11,279,560)
Accumulated other comprehensive loss	**(64,389)**	(61,866)
Total equity	**399,343**	92,350
Total liabilities and equity	**$15,675,571**	$16,813,462

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) did not have recourse to our general credit at March 31, 2012 and December 31, 2011, were as follows.

($ in thousands)	**March 31, 2012**	December 31, 2011
Assets		
Mortgage loans held–for–sale	**$7,944**	$8,658
Finance receivables and loans, net		
Consumer ($832,094 and $835,192 fair value elected)	**987,869**	998,509
Allowance for loan losses	**(8,732)**	(10,126)
Total finance receivables and loans, net	**979,137**	988,383
Accounts receivable, net	**1,026,867**	1,027,411
Other assets	**32,934**	29,494
Total assets	**$2,046,882**	$2,053,946
Liabilities		
Borrowings		
Collateralized borrowings in securitization trusts ($828,418 and $829,940 fair value elected)	**$828,418**	$830,318
Other borrowings	**806,292**	855,631
Total borrowings	**1,634,710**	1,685,949
Other liabilities	**28,833**	29,099
Total liabilities	**$1,663,543**	$1,715,048

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Residential Capital, LLC

Three months ended March 31, *($ in thousands)*	**2012**	2011
Revenue		
Interest income	**$94,605**	$110,240
Interest expense	**103,218**	116,991
Net financing revenue	**(8,613)**	(6,751)
Other revenue		
Servicing fees	**188,941**	217,664
Servicing asset valuation and hedge activities, net	**115,316**	48,911
Total servicing income, net	**304,257**	266,575
Gain on mortgage loans, net	**106,493**	35,200
Gain (loss) on foreclosed real estate	**4,488**	(2,702)
Other revenue, net	**20,032**	6,031
Total other revenue	**435,270**	305,104
Total net revenue	**426,657**	298,353
Provision for loan losses	**(1,302)**	5,632
Noninterest expense		
Representation and warranty expense, net	**19,459**	26,000
Compensation and benefits	**103,233**	81,676
Professional fees	**57,343**	18,962
Data processing and telecommunications	**20,363**	20,203
Occupancy	**7,115**	5,633
Advertising	**2,046**	8,747
Other noninterest expense, net	**99,504**	82,101
Total noninterest expense	**309,063**	243,322
Income before income taxes	**118,896**	49,399
Income tax expense	**5,880**	8,946
Net income	**$113,016**	$40,453
Other comprehensive income, net of tax	**(2,523)**	(2,397)
Comprehensive income	**$110,493**	$38,056

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

Condensed Consolidated Statement of Changes in Equity (unaudited)
Residential Capital, LLC

($ in thousands)	Member's interest	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2011	$11,324,371	($10,434,497)	($43,710)	$846,164
Net income	—	40,453	—	40,453
Capital contribution	—	—	—	—
Other comprehensive income, net of tax	—	—	(2,397)	(2,397)
Balance at March 31, 2011	$11,324,371	($10,394,044)	($46,107)	$884,220
Balance at January 1, 2012	**$11,433,776**	**($11,279,560)**	**($61,866)**	**$92,350**
Net income	—	**113,016**	—	**113,016**
Capital contribution	**196,500**	—	—	**196,500**
Other comprehensive income, net of tax	—	—	**(2,523)**	**(2,523)**
Balance at March 31, 2012	**$11,630,276**	**($11,166,544)**	**($64,389)**	**$399,343**

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Residential Capital, LLC

Three months ended March 31, *($ in thousands)*	**2012**	2011
Operating activities		
Net income	**$113,016**	$40,453
Reconciliation of net income to net cash (used in) provided by operating activities		
Depreciation and amortization	**10,449**	7,004
Accretion of deferred concession on secured notes	**(25,921)**	(24,898)
Provision for loan losses	**(1,302)**	5,632
Gain on mortgage loans, net	**(106,493)**	(35,200)
Net (gain) loss on other assets	**(1,861)**	3,345
Change in fair value of mortgage servicing rights	**(10,817)**	(36,488)
Originations and purchases of mortgage loans held–for–sale	**(10,908,385)**	(15,483,820)
Proceeds from sales and repayments of mortgage loans held–for–sale	**10,666,109**	15,204,714
Net change in		
Deferred income taxes	**1,251**	(2,004)
Accounts receivable	**244,337**	250,806
Other assets	**1,112,423**	1,170,188
Other liabilities	**(1,336,152)**	(787,829)
Net cash (used in) provided by operating activities	**(243,346)**	311,903
Investing activities		
Net (increase) decrease in commercial finance receivables and loans	**(497)**	11,412
Net decrease in consumer mortgage finance receivables and loans	**77,133**	187,378
Net decrease in investments in real estate and other	**—**	3,085
Proceeds from sales of foreclosed and owned real estate	**22,890**	44,363
Other, net	**72,016**	(9,072)
Net cash provided by investing activities	**171,542**	237,166
Financing activities		
Net increase (decrease) in borrowings from parent and affiliate	**417,009**	(187,146)
Repayments of collateralized borrowings in securitization trusts	**(82,842)**	(140,203)
Proceeds from other long–term borrowings	**849,685**	519,362
Repayments of other long–term borrowings	**(923,285)**	(796,606)
Net (decrease) increase in other short-term borrowings	**(165,464)**	91,776
Net cash provided by (used in) financing activities	**95,103**	(512,817)
Effect of changes in foreign exchange rates on cash and cash equivalents	**10,706**	10,254
Net increase in cash and cash equivalents	**34,005**	46,506
Cash and cash equivalents at beginning of year	**618,699**	672,204
Cash and cash equivalents at March 31,	**$652,704**	$718,710

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Residential Capital, LLC

Three months ended March 31, *($ in thousands)*	**2012**	2011
Supplemental disclosures		
Cash paid for		
Interest	**$38,443**	$91,379
Income taxes	**18**	17,642
Non cash items		
Mortgage loans held–for–sale transferred to consumer finance receivables and loans	**461**	1,113
Consumer finance receivables and loans transferred to mortgage loans held–for–sale	**40,407**	53,688
Consumer finance receivables and loans transferred to other assets	**2,571**	3,585
Mortgage loans held for sale transferred to other assets	**47,073**	15,637
Mortgage loans held–for–sale transferred to accounts receivable	**349,436**	214,932
Mortgage servicing rights recognized upon the transfer of financial assets	**10,573**	18,370
Capital contributions through forgiveness of borrowings from Ally Inc.	**196,500**	—
Other disclosures		
Proceeds from sales and repayments of consumer finance receivables and loans originally designated as mortgage loans held for sale	**$33,219**	$41,929

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

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

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

Residential Capital, LLC (ResCap, we, our, or us) is a wholly owned subsidiary of GMAC Mortgage Group, LLC (GMAC Mortgage Group) which is a wholly owned subsidiary of Ally Financial Inc. (Ally Inc.). Our operations are principally conducted through our subsidiaries Residential Funding Company, LLC (RFC) and GMAC Mortgage, LLC (GMAC Mortgage). We broker, originate, purchase, sell, securitize, and service residential mortgage loans in the United States. We broker virtually all of the loan production from our origination channels to our affiliate, Ally Bank. Virtually all of our purchases are also executed with our affiliate, Ally Bank. Purchased loans are primarily agency eligible or government insured loans. Prime credit quality loans originated in conformity with the underwriting guidelines of Fannie Mae (formerly known as Federal National Mortgage Association) and Freddie Mac (formerly known as Federal Home Loan Mortgage Corporation) are generally sold to one of these government-sponsored entities in the form of agency-sponsored securitizations. Prime credit quality loans originated in conformity with the underwriting guidelines of the Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) are generally sold into securitizations guaranteed by the Government National Mortgage Association (Ginnie Mae with Fannie Mae and Freddie Mac, collectively, the GSEs).

Ally Bank has recently undertaken actions that are expected to have a material adverse impact on our financial condition, results of operations and cash flows. These include the November 2011 decision to reduce its focus on its correspondent mortgage lending channel, and the decisions in April 2012 to significantly reduce its government production, including FHA and VA loans, from its correspondent mortgage lending channel, to become a direct seller of eligible loans to Fannie Mae and Freddie Mac effective May 1, 2012, and to terminate a number of its affiliate agreements with GMAC Mortgage effective April 30, 2012. We expect the level of mortgage loan purchases from Ally Bank to decline significantly in future periods. GMAC Mortgage will continue to purchase Ginnie Mae eligible loans from Ally Bank under the terms of an amended and restated master mortgage loan purchase and sale agreement executed in April 2012 effective May 1, 2012. Refer to Note 17 - Related Party Transactions for additional information.

Our legacy business included non-conforming domestic and international residential mortgage loan originations, purchases, sales, and securitization activities; our captive mortgage reinsurance portfolio; and our domestic and international commercial lending activities. The remaining legacy portfolios, which include limited international operations in Mexico, Canada and the United Kingdom, are being run-off, with periodic asset sales, workouts, or consideration and execution of other strategic disposition transactions to maximize our return.

We did not make a $20.1 million semi-annual interest payment that was due on April 17, 2012, related to $473.0 million outstanding senior unsecured notes maturing in June 2013. The indenture for the senior unsecured notes provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days. We have projected interest payments due in May 2012 of $136.5 million, including the $20.1 interest payment due on April 17, 2012. We also have $2.0 billion of debt maturing in 2012, including our $158.0 million mortgage servicing rights secured funding facility, $131.2 million in euro-denominated notes and $1.4 billion in secured borrowings from Ally Inc. and its subsidiaries, all of which mature in May 2012.

We have been, and expect to continue to be, negatively impacted by exposure to representation and warranty obligations, adverse outcomes with respect to current or future litigation, fines, penalties or settlements related to our business activities and additional expenses to address regulatory requirements. We currently estimate that our reasonably possible losses related to litigation matters and potential repurchase obligations and related claims could be between $0.0 billion and $4.0 billion in excess of amounts recorded. See Note 16 – Contingencies and Other Risks for additional information. There can be no assurance that we will have the capital or liquidity sufficient to pay any significant portion of such estimated possible losses.

We remain heavily dependent on Ally Inc. and affiliates for funding and capital support. While Ally Inc. agreed to extend the maturity date for certain of its facilities with us until May 14, 2012, there can be no assurance that they will continue any such support or that they will choose to execute any further strategic transactions with respect to us or that any transactions undertaken will be successful. Should Ally Inc. no longer continue to support our capital or liquidity needs or should we be unable to successfully execute other initiatives, it would have a material adverse effect on our business, financial condition and results of operations. Consequently, there remains substantial doubt about our ability to continue as a going concern. If we do not receive the necessary support, we are determining whether it would be in the best interests of our creditors and other stakeholders to file for protection under the federal bankruptcy laws.

All of our credit facilities and certain other agreements contain covenants that require us to maintain consolidated tangible net worth of $250.0 million as of each month end. At December 31, 2011, we were in default of this covenant, which was subsequently cured but it is possible defaults could occur in the future due to insufficient capital or liquidity. Failure to meet this covenant is an event of default and may result in, amoung other things, an acceleration of the facility's maturity and/or may trigger an early amortization event, under certain facilities. There are also cross default and cross acceleration provisions in our credit facilities, our junior secured debt and certain other agreements. A default under any one of these agreements can, through cross default and cross acceleration provisions create defaults in all of our other agreements. See Note 8 - Borrowings for additional information related to our financial covenants and counterparties remedies in an event of default.

Our consolidated tangible net worth, as defined, as of March 31, 2012 was $399.3 million in compliance with our financial covenants. Our consolidated tangible net worth, as defined, as of December 31, 2011, was $92.4 million, which constituted an event of default under our credit facilities and certain other agreements. We obtained waivers or acknowledgment letters from each of our liquidity providers in connection with our credit facilities and counterparties to agreements with financial covenants under which they agreed not to pursue their contractual remedies with respect to the default. These waivers were predicated, in part, on a January 30, 2012 capital contribution in the amount of S196.5 million that we received from Ally Inc. We are in compliance with any conditions with respect to these waivers and acknowledgment letters.

Consolidation and Basis of Presentation

The accompanying Condensed Consolidated Financial Statements were prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Condensed Consolidated Financial Statements include our accounts and accounts of our majority-owned subsidiaries after eliminating all significant intercompany balances and transactions and include all variable interest entities (VIEs) in which we are the primary beneficiary. See Note 4 — Securitization and Variable Interest Entities for additional information.

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

The Condensed Consolidated Financial Statements at March 31, 2012 and for the three months ended March 31, 2012 and 2011, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) for the year ended December 31, 2011.

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars using the period end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income, a component of equity. Income and expense items are translated at average exchange rates prevailing during the reporting period.

Recently Adopted Accounting Standards

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

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

Recently Issued Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11)

In December 2011, the Financial Asset Standards Board (FASB) issued ASU 2011-11, which amends ASC 210, *Balance Sheet.* This ASU contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 is effective for us on January 1, 2013, and retrospective application is required. Since the guidance relates only to disclosures, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

2. Mortgage Loans Held–for–sale

The composition of residential mortgage loans held–for–sale reported at carrying value, were as follows.

	March 31, 2012			December 31, 2011		
($ in thousands)	**Domestic (a) (b)**	**Foreign**	**Total**	Domestic (a) (b)	Foreign	Total
1st Mortgage	**$3,523,013**	**$35,297**	**$3,558,310**	$3,497,392	$12,011	$3,509,403
Home equity	**712,516**	**—**	**712,516**	740,222	—	740,222
Total loans held–for–sale (c)	**$4,235,529**	**$35,297**	**$4,270,826**	$4,237,614	$12,011	$4,249,625

(a) Includes mortgage loans subject to conditional repurchase options of $2.3 billion and $2.3 billion sold to Ginnie Mae guaranteed securitizations and $99.3 million and $105.8 million sold to off-balance sheet private-label securitization trusts at March 31, 2012 and December 31, 2011, respectively. The corresponding liability is recorded in other liabilities. See Note 4 — Securitizations and Variable Interest Entities for additional information.

(b) Includes mortgage loans for which we have elected the fair value option of $46.4 million and $57.0 million at March 31, 2012 and December 31, 2011 respectively. See Note 13 — Fair Value for additional information.

(c) The carrying values are net of discounts of $320.4 million and $313.1 million, fair value adjustments of $(30.8) million and $(28.0) million, lower of cost or fair value adjustments of $56.8 million and $60.2 million, and UPB write-downs of $1.4 billion and $1.5 billion at March 31, 2012 and December 31, 2011, respectively.

3. Finance Receivables and Loans, Net

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

	March 31, 2012			December 31, 2011		
($ in thousands)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer						
1st Mortgage	**$128,220**	**$251,423**	**$379,643**	$130,024	$256,494	$386,518
Home equity	**616,916**	**—**	**616,916**	636,212	—	636,212
Total consumer (a) (b)	**745,136**	**251,423**	**996,559**	766,236	256,494	1,022,730
Commercial						
Commercial and industrial	**—**	**26,232**	**26,232**	—	23,860	23,860
Commercial real estate	**—**	**14,913**	**14,913**	—	14,157	14,157
Total commercial	**—**	**41,145**	**41,145**	—	38,017	38,017
Total finance receivables and loans	**$745,136**	**$292,568**	**$1,037,704**	$766,236	$294,511	$1,060,747

(a) Consumer mortgages include $832.1 million and $835.2 million at fair value as a result of fair value option elections as of March 31, 2012 and December 31, 2011, respectively. See Note 13 — Fair Value for additional information.

(b) The gross carrying value is net of fair value adjustments of $1.6 billion and $1.6 billion and UPB write-downs of $8.8 million and $8.0 million at March 31, 2012 and December 31, 2011, respectively.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

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

	2012			2011		
($ in thousands)	**Consumer**	**Commercial**	**Total**	Consumer	Commercial	Total
Allowance at January 1,	**$13,638**	**$14,978**	**$28,616**	$17,681	$25,129	$42,810
Provision for loan losses	**(548)**	**(754)**	**(1,302)**	447	5,185	5,632
Charge-offs						
Domestic	**(1,123)**	**—**	**(1,123)**	(2,212)	—	(2,212)
Foreign	**116**	**1,327**	**1,443**	(218)	(14,579)	(14,797)
Total charge-offs	**(1,007)**	**1,327**	**320**	(2,430)	(14,579)	(17,009)
Recoveries						
Domestic	**100**	**195**	**295**	1,263	937	2,200
Foreign	**—**	**859**	**859**	—	781	781
Total recoveries	**100**	**1,054**	**1,154**	1,263	1,718	2,981
Net charge-offs	**(907)**	**2,381**	**1,474**	(1,167)	(12,861)	(14,028)
Allowance at March 31,	**$12,183**	**$16,605**	**$28,788**	$16,961	$17,453	$34,414
Allowance for loan losses						
Individually evaluated for	**$2,910**	**$16,605**	**$19,515**	$3,838	$16,137	$19,975
Collectively evaluated for	**$9,273**	**$—**	**$9,273**	$13,123	$1,316	$14,439
Finance receivables and loans						
Individually evaluated for	**$8,018**	**$41,145**	**$49,163**	$7,818	$88,972	$96,790
Collectively evaluated for impairment	**$156,447**	**$—**	**$156,447**	$232,724	$3,279	$236,003

The following table presents an analysis of our past due finance receivables and loans at gross carrying value.

($ in thousands)	**30-59 days past due**	**60-89 days past due**	**90 days or more past due**	**Total past due**	**Current**	**Total**
March 31, 2012						
Consumer mortgage						
1st Mortgage	**$30,346**	**$13,857**	**$170,051**	**$214,254**	**$165,389**	**$379,643**
Home equity	**11,122**	**5,208**	**10,813**	**27,143**	**589,773**	**616,916**
Total consumer	**41,468**	**19,065**	**180,864**	**241,397**	**755,162**	**996,559**
Commercial						
Commercial and industrial	**25,881**	**—**	**351**	**26,232**	**—**	**26,232**
Commercial real estate	**—**	**—**	**14,913**	**14,913**	**—**	**14,913**
Total commercial	**25,881**	**—**	**15,264**	**41,145**	**—**	**41,145**
Total	**$67,349**	**$19,065**	**$196,128**	**$282,542**	**$755,162**	**$1,037,704**
December 31, 2011						
Consumer mortgage						
1st Mortgage	$29,730	$14,664	$158,255	$202,649	$183,869	$386,518
Home equity	13,064	6,488	11,850	31,402	604,810	636,212
Total consumer	42,794	21,152	170,105	234,051	788,679	1,022,730
Commercial						
Commercial and industrial	—	—	322	322	23,538	23,860
Commercial real estate	—	1,736	12,212	13,948	209	14,157
Total commercial	—	1,736	12,534	14,270	23,747	38,017
Total	$42,794	$22,888	$182,639	$248,321	$812,426	$1,060,747

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

The following table presents the gross carrying value of our finance receivables and loans in nonaccrual status.

($ in thousands)	**March 31, 2012**	December 31, 2011
Consumer mortgage		
1st Mortgage	**$193,981**	$199,702
Home equity	**30,329**	36,651
Total consumer	**224,310**	236,353
Commercial		
Commercial and industrial	**26,232**	322
Commercial real estate	**14,913**	12,212
Total commercial	**41,145**	12,534
Total	**$265,455**	$248,887

Management performs a quarterly analysis of its consumer and commercial finance receivable and loan portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. Based on our allowance methodology, our credit quality indicators for consumer mortgage loans are performing and nonperforming and for commercial mortgage finance receivables and loans are pass and criticized.

The following table presents the credit quality indicators for our consumer mortgage loan portfolio at gross carrying value.

	March 31, 2012			December 31, 2011		
($ in thousands)	**Performing**	**Nonperforming**	**Total**	Performing	Nonperforming	Total
Consumer mortgage						
1st Mortgage	**$185,662**	**$193,981**	**$379,643**	$186,816	$199,702	$386,518
Home equity	**586,587**	**30,329**	**616,916**	599,561	36,651	636,212
Total consumer mortgage	**$772,249**	**$224,310**	**$996,559**	$786,377	$236,353	$1,022,730

The following table presents the credit quality indicators for our commercial finance receivable and loan portfolio at gross carrying value.

	March 31, 2012			December 31, 2011		
($ in thousands)	**Pass**	**Criticized (a)**	**Total**	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial	**$—**	**$26,232**	**$26,232**	$—	$23,860	$23,860
Commercial real estate	**—**	**14,913**	**14,913**	209	13,948	14,157
Total commercial	**$—**	**$41,145**	**$41,145**	$209	$37,808	$38,017

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

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement or if the loan has been modified under a troubled debt restructuring.

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

($ in thousands)	Unpaid principal balance (a)	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2012					
Consumer mortgage					
1st Mortgage	$409	$409	$—	$409	$103
Home equity	7,609	7,609	160	7,450	2,807
Total consumer	8,018	8,018	160	7,859	2,910
Commercial					
Commercial and industrial	26,232	26,232	—	26,232	11,485
Commercial real estate	14,973	14,913	1,591	13,322	5,120
Total commercial	41,205	41,145	1,591	39,554	16,605
Total	$49,223	$49,163	$1,751	$47,413	$19,515
December 31, 2011					
Consumer mortgage					
1st Mortgage	$436	$436	$—	$436	$109
Home equity	7,619	7,619	173	7,446	2,926
Total consumer	8,055	8,055	173	7,882	3,035
Commercial					
Commercial and industrial	322	322		322	202
Commercial real estate	12,271	12,212	1,442	10,770	4,592
Total commercial	12,593	12,534	1,442	11,092	4,794
Total	$20,648	$20,589	$1,615	$18,974	$7,829

(a) Unpaid principal balance represents the contractual principal balance adjusted for UPB write-downs on transfers or charge offs in accordance with our policy.

The following table presents information about our impaired finance receivables and loans excluding loans carried at fair value due to fair value option elections.

Three months ended March 31, ($ in thousands)	2012 Consumer	2012 Commercial	2012 Total	2011 Consumer	2011 Commercial	2011 Total
Average balance of impaired loans	$7,999	$21,855	$29,854	$7,395	$102,497	$109,892
Interest income recognized on impaired loans	$95	$8	$103	$90	$5,574	$5,664

At March 31, 2012 and December 31, 2011, there were no commercial commitments to lend additional funds to debtors owing receivables whose terms have been modified in a troubled debt restructuring.

Troubled Debt Restructurings

As part of our loss mitigation efforts and participation in certain governmental programs (e.g., the Making Home Affordable Program), we may offer loan modifications to borrowers experiencing financial difficulties (TDRs). Loan modifications can include any or all of the following; principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Modifications can be either temporary or permanent. Temporary loan modifications are generally used to monitor the borrower's ability to perform under the revised terms over a specified trial period; if the borrower performs, it may become a permanent loan modification. Total TDRs recorded at historical cost and reported at gross carrying value are $35.8 million and $33.6 million at March 31, 2012 and December 31, 2011, respectively.

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

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

Three months ended March 31, 2012 *($ in thousands)*	Number of Loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer mortgage			
1st Mortgage	—	$—	$—
Home equity	11	507	504
Total consumer mortgage	11	$507	$504

The following table presents information related to finance receivables and loans recorded at gross carrying value that redefaulted (180 days or more delinquent) on or before the one year anniversary of being modified. The charge-off amount is determined in accordance with our charge-off policy.

Three months ended March 31, 2012 *($ in thousands)*	Number of Loans	Gross carrying value	Charge-off amount
Consumer mortgage			
1st Mortgage	—	$—	$—
Home equity	1	10	10
Total consumer mortgage	1	$10	$10

4. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special–purpose entities (SPEs). A 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 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 mortgage loan products to a diverse customer base. We often securitize these loans through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer mortgage loans through either the GSEs or private–label (nonagency) securitizations. For the periods presented, our consumer mortgage loans were securitized through the GSEs.

In executing a securitization transaction, we 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 that 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 we historically securitized 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. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and/or master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. See Note 5 — Servicing Activities for additional information regarding our servicing rights.

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

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

We generally hold certain conditional repurchase options that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean–up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan if it exceeds a certain prespecified delinquency level. We have 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 obligations, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. See Note 16 — Contingencies and Other Risks for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2012 and 2011.

Other Variable Interest Entities

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

Home Equity Funding Entity — To assist in the financing of certain of our home equity mortgage loans, we formed a SPE that issued variable funding notes to third–party investors that are collateralized by home equity loans and revolving lines of credit. This SPE is consolidated on our balance sheet at March 31, 2012 and December 31, 2011. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the three months ended March 31, 2012 and 2011.

Other — We have involvement with other immaterial on-balance sheet VIEs. Most of these VIEs are used for additional liquidity whereby we sell certain financial assets to the VIE and issue beneficial interests to third parties for cash.

Involvement with Variable Interest Entities

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

Our involvement with consolidated and nonconsolidated VIEs in which we hold a variable interest as of March 31, 2012 and December 31, 2011, is presented below.

($ in thousands)	**Consolidated involvement with VIEs**	**Assets of nonconsolidated VIEs, net (a)**	**Maximum exposure to loss in nonconsolidated VIEs (b)**
March 31, 2012			
On–balance sheet variable interest entities			
Private-label securitizations	**$933,317**	**$—**	**$—**
Servicer Advance Funding	**960,480**	—	—
Home Equity Funding	**150,607**	—	—
Other	**2,478**	—	—
Off–balance sheet variable interest entities			
Ginnie Mae securitizations	**2,664,512 (c)**	**43,317,031**	**43,317,031**
Private-label securitizations	**132,455 (d)**	**4,193,506**	**4,193,506**
Total	**$4,843,849**	**$47,510,537**	**$47,510,537**
December 31, 2011			
On–balance sheet variable interest entities			
Private-label securitizations	$939,159	$—	$—
Servicer Advance Funding	955,823	—	—
Home Equity Funding	156,423	—	—
Other	2,541	—	—
Off–balance sheet variable interest entities			
Ginnie Mae securitizations	2,651,939 (c)	44,126,607	44,126,607
Private-label securitizations	140,709 (d)	4,408,206	4,408,206
Total	$4,846,594	$48,534,813	$48,534,813

(a) Asset values represent the current UPB of outstanding consumer mortgage loans within the VIEs.

(b) Maximum exposure to loss represents the current UPB of outstanding consumer mortgage 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.

(c) Includes $411.2 million and $377.8 million classified as mortgage servicing rights and $2.3 billion and $2.3 billion of mortgage loans held–for–sale that are subject to conditional repurchase options at March 31, 2012 and December 31, 2011, respectively. The corresponding liability related to conditional repurchase option loans is recorded in other liabilities.

(d) Includes $25.3 million and $26.5 million classified as other assets, $7.8 million and $8.4 million classified as mortgage servicing rights and $99.3 million and $105.8 million of mortgage loans held–for–sale that are subject to conditional repurchase options at March 31, 2012 and December 31, 2011, respectively. The corresponding liability related to conditional repurchase option loans is recorded in other liabilities.

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 represents a form of significant continuing economic interest. The interests held include, but are not limited to, senior or subordinate mortgage– or asset–backed securities, interest–only strips, principal–only strips, residuals, and servicing rights. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over–collateralization requirements, which may or may not be performance–driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

We consolidate certain of these entities because we have a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are the primary beneficiary of certain 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.

Consolidated VIEs 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 recourse to us, except for customary representation and warranty provisions or situations where we are the counterparty to certain derivative transactions involving the VIE. 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. See Note 13 — Fair Value 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 16 — Contingencies and Other Risks.

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 sale accounting conditions in ASC 860. Our residential mortgage loan securitizations consist of GSE and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Additionally, we do not consolidate certain private-label 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). As an accounting policy election, we elected fair value treatment for our 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 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 the pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

Three months ended March 31, *($ in thousands)*	**2012**	2011
Consumer mortgage — GSEs	**$251,693**	($61,504)
Total pretax gain (loss)	**$251,693**	($61,504)

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

The following table summarizes cash flows received from and paid to securitization entities that are accounted for as a sale and in which we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2012 and 2011. This table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

	Consumer mortgage	
Three months ended March 31, ($ in thousands)	**GSEs**	**Private-Label**
2012		
Cash proceeds from transfers completed during the period	**$10,645,441**	**$—**
Cash flows received on retained interests in securitization entities	—	**3,747**
Servicing fees	**117,166**	**43,182**
Purchases of previously transferred financial assets		
Representation and warranty obligations	**(19,005)**	**(4,038)**
Other repurchases	**(579,948)**	**(7,517) (a)**
Other cash flows	**8,596**	**23,100**
Total net cash flows	**$10,172,250**	**$58,474**
2011		
Cash proceeds from transfers completed during the period	$15,153,060	$—
Cash flows received on retained interests in securitization entities	—	5,254
Servicing fees	103,041	41,720
Purchases of previously transferred financial assets		
Representation and warranty obligations	(43,582)	(14)
Other repurchases	(554,409)	
Other cash flows	67,929	62,014
Total net cash flows	$14,726,039	$108,974

(a) Includes repurchases in connection with clean up call options.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

The following table represents on–balance sheet mortgage loans held–for–sale and consumer finance receivable and loans, off–balance sheet securitizations, and whole–loan sales where we have continuing involvement. The table presents information about delinquencies and net credit losses. See Note 5 — Servicing Activities for further detail on total serviced assets.

	Total UPB		Amount 60 days or more past due		Net credit losses (recoveries)	
					Three months ended March 31,	
($ in thousands)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**2012**	2011
On–balance sheet loans						
Consumer mortgage held–for–sale	**$4,678,850 (a)**	$4,650,917 (a)	**$3,004,991 (a)**	$3,049,234 (a)	**$2,374**	$7,205 (b)
Consumer mortgage finance receivables and loans	**2,550,117**	2,623,763	**440,072**	422,017	**26,454**	37,634
Total on–balance sheet loans	**7,228,967**	7,274,680	**3,445,063**	3,471,251	**28,828**	44,839
Off–balance sheet securitization entities						
Consumer mortgage — GSEs (c)	**124,446,063**	131,751,844	**7,155,304**	7,675,811	**n/m (c)**	n/m (c)
Consumer mortgage — nonagency	**58,555,428**	60,768,935	**11,027,854**	11,232,126	**749,429**	1,288,842
Total off–balance sheet securitization entities	**183,001,491**	192,520,779	**18,183,158**	18,907,937	**749,429**	1,288,842
Whole-loan transactions (d)	**16,628,200**	17,516,446	**2,080,368**	2,209,088	**133,919**	188,971
Total	**$206,858,658**	$217,311,905	**$23,708,589**	$24,588,276	**$912,176**	$1,522,652

n/m = not meaningful

(a) Includes loans subject to conditional repurchase options of $2.3 billion and $2.3 billion guaranteed by Ginnie Mae, and $128.9 million and $131.8 million sold to certain nonagency mortgage securitization entities at March 31, 2012 and December 31, 2011, respectively. The corresponding liability is recorded in other liabilities.

(b) We determined the amount previously disclosed related to net credit losses for the three months ended March 31, 2011, were misstated. Previously disclosed net credit losses were $37.3 million for on-balance sheet mortgage loans held for sale. These amounts were corrected in the presentation above. The misstatement had no impact on our consolidated financial conditions or results of operations.

(c) Anticipated credit losses are not meaningful due to the GSEs guarantees.

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

5. Servicing Activities

Mortgage Servicing Rights

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

($ in thousands)	2012	2011
Estimated fair value at January 1,	**$1,233,107**	$1,991,586
Additions recognized on sale of mortgage loans	**10,573**	18,370
Subtractions from sales of servicing assets	**—**	(139)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	**86,900**	120,806
Other changes in fair value	**(76,083)**	(84,318)
Estimated fair value at March 31,	**$1,254,497**	$2,046,305

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation models 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 run-off of the portfolio.

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

($ in thousands)	**March 31, 2012**	December 31, 2011
Weighted average life *(in years)*	**4.7**	4.3
Weighted average prepayment speed	**15.1%**	18.0%
Impact on fair value of 10% adverse change	**$(111,808)**	$(71,223)
Impact on fair value of 20% adverse change	**(211,799)**	(135,292)
Weighted average discount rate	**10.8%**	9.5%
Impact on fair value of 10% adverse change	**$(24,107)**	$(25,396)
Impact on fair value of 20% adverse change	**(46,384)**	(48,913)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rate and prepayment risks associated with these assets. Refer to Note 1– Description of Business and Significant Accounting Policies, in our 2011 Annual Report for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

Risk–mitigation Activities

The primary economic risk related to our MSR is interest rate risk and the resulting impact on prepayment speeds. 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 this risk with both derivative and nonderivative financial instruments. These instruments include interest rate swaps, caps and floors, options to purchase these items, futures and forward contracts, constant monthly maturity (index trades), synthetic interest only and principal only securities and/or to–be–announced (TBAs) securities. The net fair value of derivative financial instruments used to mitigate this risk was $(339.5) million and $(199.8) million at March 31, 2012 and December 31, 2011, respectively. See Note 14 — Derivative Instruments and Hedging Activities for additional information.

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

Three months ended March 31, *($ in thousands)*	**2012**	2011
Change in estimated fair value of mortgage servicing rights	**$10,817**	$36,488
Change in fair value of derivative financial instruments	**104,499**	12,423
Servicing valuation and hedge activities, net	**$115,316**	$48,911

Mortgage Servicing Fees

The components of servicing fees were as follows.

Three months ended March 31, *($ in thousands)*	**2012**	2011
Contractual servicing fees (net of guarantee fees and including sub-servicing)	**$140,375**	$167,384
Late fees	**16,806**	18,991
Ancillary fees	**31,760**	31,289
Total	**$188,941**	$217,664

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Mortgage Servicer Advances

In connection with our primary servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicer 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 servicer advances are included in accounts receivable and totaled \$1.8 billion and \$1.8 billion at March 31, 2012 and December 31, 2011, respectively. We maintain an allowance for uncollectible primary servicer advances, which totaled \$42.5 million and \$42.5 million at March 31, 2012 and December 31, 2011, respectively. Our potential advance obligation is influenced by a borrower's performance and credit quality.

We advance funds for various activities related to the foreclosure process principally related to attorney fees and costs, appraisals, escrow, insurance and property preservation, in the event we, or the investor, determine foreclosure is the most appropriate loss mitigation strategy. In the current environment, many states and local jurisdictions are requiring us to alter our processes in connection with foreclosures and in some circumstances this can result in restarting the foreclosure process entirely or repeating certain of the required steps (foreclosure restarts). To the extent we restart the process, in whole or in part, we will not be reimbursed for advances in connection with the original activities. The circumstances and extent of any foreclosure restart are specific and unique to each state and/or local jurisdiction. At March 31, 2012, we had an allowance for uncollectible advances in connection with estimated foreclosure restarts of \$10.4 million.

At March 31, 2012 and December 31, 2011 we had an allowance for uncollectible primary servicer advances of \$7.5 million, respectively, related to expected loan modification activities. See Note 16 — Contingencies and Other Risks for additional information. To the extent amounts had been advanced for loans that are expected to be modified in connection with our Settlement, these amounts will not be collected. The amount of this allowance is management's best estimate given the anticipated modification activity.

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. As of March 31, 2012 and December 31, 2011, outstanding servicer advances related to subserviced loans were \$127.1 million and \$124.9 million and we had a reserve for uncollectible subservicer advances of \$1.0 million and \$1.1 million, respectively.

In many cases where we act as master servicer we also act as primary servicer. In connection with our master servicing activities, we service the mortgage–backed and mortgage–related asset–backed securities and whole–loan packages sold to investors. As the master servicer, we collect mortgage loan payments from primary servicers and distribute those funds to investors in mortgage–backed and 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 servicer 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 servicer advances of \$189.9 million and \$158.2 million as of March 31, 2012 and December 31, 2011, respectively. We had no reserve for uncollectible master servicer advances at March 31, 2012 and December 31, 2011.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Serviced Mortgage Assets

In many cases, we act as both the primary and master servicer. However, in certain cases, we also service loans that have been purchased and subsequently sold through a securitization trust or whole-loan sale whereby the originator retained the primary servicing rights and we retained the master servicing rights.

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

($ in millions)	**March 31, 2012**	December 31, 2011
On-balance sheet mortgage loans (a)		
Held-for-sale and investment	**$7,018**	$6,828
Off-balance sheet mortgage loans		
Loans held by third-party investors		
Consumer mortgage private-label	**48,514**	50,886
Consumer mortgage agency	**124,339**	131,635
Consumer mortgage whole-loan portfolios	**14,484**	15,104
Purchased servicing rights (b)	**3,089**	3,247
Total primary serviced mortgage loans	**197,444**	207,700
Subserviced mortgage loans (c)	**169,223**	169,531
Master servicing only mortgage loans	**8,225**	8,557
Total serviced mortgage loans	**$374,892**	$385,788

(a) Includes on-balance sheet securitization consumer finance receivables and loans. See Note 3 — Finance Receivables and Loans, net, for additional information.

(b) There is no recourse to us outside of customary contractual provisions relating to the execution of the services we provide.

(c) Includes loans where we act as a subservicer under contractual agreements with the primary servicer. As subservicer, there is no recourse to us outside of customary contractual provisions relating to the execution of the services we provide, except for loans subserviced on behalf of Ally Bank. See Note 17 — Related Party Transactions for additional information.

The following table sets forth information concerning the delinquency experience in our domestic consumer mortgage loan primary servicing portfolio, including pending foreclosures.

	March 31, 2012		December 31, 2011	
($ in millions)	**Number of loans**	**Unpaid principal balance**	Number of loans	Unpaid principal balance
Total U.S. mortgage loans primary serviced	**1,517,358**	**$197,171**	1,587,113	$207,380
Period of delinquency				
30 to 59 days	**53,549**	**$7,559**	67,239	$9,289
60 to 89 days	**19,427**	**3,024**	25,138	3,695
90 days or more	**25,521**	**4,310**	27,570	4,467
Foreclosures pending	**67,843**	**12,947**	68,166	13,018
Bankruptcies	**33,807**	**4,758**	34,956	4,869
Total delinquent loans	**200,147**	**$32,598**	223,069	$35,338
Percent of U.S. mortgage loans primary serviced	**13.2%**	**16.5%**	14.1%	17.0%

Certain of our subsidiaries which conduct our primary and master servicing activities are required to maintain certain servicer ratings in accordance with master agreements entered into with a GSE. At March 31, 2012, we are in compliance with the servicer rating requirements of the master agreements.

We are also required to maintain consolidated tangible net worth, as defined, of $250.0 million, under our agreements with a GSE. In the event of default, the GSE could require posting collateral in an amount based on repurchase demands outstanding plus recourse obligations; termination or suspension of our selling and servicing contract; require additional or more frequent financial and operational reporting; limit early funding programs or trading desk transactions; accelerate rebuttal time periods for outstanding repurchase demands; or take other actions permitted by law. Should we or our subsidiaries fail to remain in compliance with these requirements and as a result should our mortgage selling and servicing contract be terminated, cross default provisions within certain credit and bilateral facilities could be triggered. At March 31, 2012, we had consolidated tangible net worth of $399.3 million in compliance with our contractual covenant.

At March 31, 2012, domestic insured private-label securitizations with an unpaid principal balance of $5.4 billion contain provisions entitling the monoline or other provider of contractual credit support (surety providers) to declare a servicer default and terminate the servicer upon the failure of the loans to meet certain portfolio delinquency and/or cumulative loss thresholds. Securitizations with an unpaid principal balance of $4.8 billion had breached a delinquency and/or cumulative loss threshold. While we continue to service these loans and receive service fee income with respect to these securitizations, the value of the related MSR is zero at March 31, 2012. Securitizations with an unpaid principal balance of $574.0 million have not yet breached a delinquency or cumulative loss threshold. The value of the related MSR is $4.0 million at March 31, 2012.

6. Accounts Receivable, Net

($ in thousands)	**March 31, 2012**	December 31, 2011
Servicer advances, net (a)	**$2,050,651**	$2,045,446
Loan insurance guarantee receivable, net (b)	**874,985**	745,396
Servicing fees receivable	**87,402**	87,208
Due from brokers for derivative trades	**54,294**	94,024
Accrued interest receivable	**36,883**	37,962
Other	**53,041**	41,712
Total accounts receivable, net	**$3,157,256**	$3,051,748

(a) The allowance for uncollectible servicer advances was $43.5 million and $43.7 million at March 31, 2012 and December 31, 2011, respectively.
(b) Represents mortgage loans in foreclosure for which a guarantee from Ginnie Mae exists, net of a reserve for uncollectible guaranteed receivables of $28.0 million and $21.8 million at March 31, 2012 and December 31, 2011, respectively.

7. Other Assets

($ in thousands)	**March 31, 2012**	December 31, 2011
Property and equipment at cost	**$255,750**	$252,890
Accumulated depreciation and amortization	**(212,771)**	(207,645)
Net property and equipment	**42,979**	45,245
Fair value of derivative contracts in receivable position	**3,621,448**	4,877,197
Collateral placed with derivative counterparties	**1,110,251**	1,095,287
Restricted cash	**397,494**	448,819
Foreclosed assets	**63,987**	71,485
Receivables from Ally Bank	**37,045**	—
Trading securities	**32,302**	33,303
Interests retained in financial asset sales	—	23,102
Income taxes receivable	—	5,111
Other	**25,866**	28,603
Total other assets	**$5,331,372**	$6,628,152

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

8. Borrowings

Borrowings were as follows.

	Weighted average end of period interest rates		March 31, 2012			December 31, 2011		
($ in thousands)	**March 31, 2012**	December 31, 2011	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Short-term borrowings								
Borrowings from parent	**3.0%**	3.0%	**$—**	**$410,000**	**$410,000**	$—	$183,595	$183,595
Borrowings from affiliate	**5.0%**	5.1%	**—**	**250,000**	**250,000**	—	250,000	250,000
Other short-term borrowings	**6.3%**	6.3%	**—**	**158,000**	**158,000**	—	323,000	323,000
Total short-term borrowings	**4.3%**	5.1%	**—**	**818,000**	**818,000**	—	756,595	756,595
Long-term borrowings								
Borrowings from parent	**3.0%**	3.0%	**—**	**749,873**	**749,873**	—	755,769	755,769
Collateralized borrowings in securitization trusts (a)	**4.6%**	4.7%	**—**	**828,418**	**828,418**	—	830,318	830,318
Other long-term borrowings	**8.2%**	8.0%	**1,112,587**	**3,198,189**	**4,310,776**	1,096,789	3,285,615	4,382,404
Total long-term borrowings	**7.0%**	6.9%	**1,112,587**	**4,776,480**	**5,889,067**	1,096,789	4,871,702	5,968,491
Total borrowings	**6.7%**	6.7%	**$1,112,587**	**$5,594,480**	**$6,707,067**	$1,096,789	$5,628,297	$6,725,086

(a) Collateralized borrowings with an outstanding balance of $2.5 billion and $2.6 billion were recorded at fair value of $828.4 million and $829.9 million as of March 31, 2012 and December 31, 2011, respectively. See Note 13 — Fair Value for additional information.

The following table summarizes the maturity profile of our borrowings by type. Amounts represent the scheduled maturity of debt, assuming no early redemptions occur. For sources of borrowings without a stated maturity date (as is the case with uncommitted agreements), the maturities are assumed to occur within 2012.

($ in millions)	2012	2013	2014	2015	2016	2017 and thereafter	Total
Secured borrowings							
Borrowings from parent	$1,159.9	$—	$—	$—	$—	$—	$1,159.9
Borrowings from affiliate	250.0	—	—	—	—	—	250.0
Collateralized borrowings in securitization trusts (a)	—	—	—	—	—	828.4	828.4
Other secured borrowings	239.7	789.3	805.1	719.3	—	802.8	3,356.2
Total secured borrowings	1,649.6	789.3	805.1	719.3	—	1,631.2	5,594.5
Unsecured borrowings	351.6	537.3	109.5	114.2	—	—	1,112.6
Total borrowings	$2,001.2	$1,326.6	$914.6	$833.5	$—	$1,631.2	$6,707.1

(a) The principal on the debt securities is paid using cash flows from underlying collateral (mortgage loans). Accordingly, the timing of the principal payments on these debt securities is dependent on the payments received, and as such, we elected to represent the full term of the securities in the 2017 and thereafter time frame.

We did not make a $20.1 million semi-annual interest payment that was due on April 17, 2012, related to $473.0 million outstanding senior unsecured notes maturing in June 2013. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days.

The most restrictive financial covenants in our credit facilities require us to maintain consolidated tangible net worth of $250.0 million as of the end of each month, consolidated liquidity of $250.0 million daily, and unrestricted liquidity of $250.0 million daily. For these purposes, consolidated tangible net worth is defined as our consolidated equity excluding intangible assets. Unrestricted liquidity is defined as certain unrestricted and unencumbered cash balances in U.S. dollars and cash equivalents on a consolidated basis. We view unrestricted liquidity as cash readily available to cover operating demands across our business operations. These financial covenants are included in certain of our bilateral facilities. Should we fail to remain in compliance with these requirements, remedies include but are not limited to, at the option of the facility provider, termination of further funding, acceleration of outstanding obligations, rights to realize against the assets securing or otherwise supporting the facility, and other legal remedies. Our liquidity providers can waive their contractual rights in the event of a default.

We are required to maintain consolidated tangible net worth, as defined, of $250.0 million, under our agreements with a GSE. In the event of default, the GSE could require posting collateral in an amount based on repurchase demands outstanding plus recourse obligations; termination or suspension of our selling and servicing contract; require additional or more frequent financial and operational reporting; limit early funding programs or trading desk transactions; accelerate rebuttal time periods for outstanding repurchase demands; or take other actions permitted by law. We and certain of our subsidiaries are also required to maintain certain servicer ratings. Should we or our subsidiaries fail to remain in compliance with these requirements and as a result should our mortgage selling and servicing contract be terminated, cross default provisions within certain credit and bilateral facilities could be triggered.

At March 31, 2012, our consolidated tangible net worth, as defined, was $399.3 million, in compliance with all of our consolidated tangible net worth covenants. In addition we are in compliance with our consolidated and unrestricted liquidity requirements and required servicer ratings as of March 31, 2012. Refer to Note 1 – Description of Business, Basis of Presentation and Changes in Significant Accounting Policies for additional information.

The following table summarizes the outstanding, unused, and total capacity of our funding facilities at March 31, 2012. We use both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not legally obligated to advance funds under them.

March 31, 2012 *($ in thousands)*	**Outstanding**	**Unused capacity**	**Total capacity**
Facilities with parent			
Ally Inc. Senior Secured Credit Facility	$749,873	$—	$749,873
Ally Inc. LOC	410,000	1,190,000	1,600,000
Total facilities with parent	1,159,873	1,190,000	2,349,873
Facilities with affiliate			
Secured financing agreement - BMMZ	250,000	—	250,000
Secured funding facilities - committed			
Mortgage servicing rights facility	158,000	—	158,000
Servicer advance funding facilities	727,838	197,162	925,000
Home equity funding facility	127,294	—	127,294
Other funding facilities	—	11,000	11,000
Total committed	1,263,132	208,162	1,471,294
Total funding facilities	$2,423,005	$1,398,162	$3,821,167

Facilities with Parent and Affiliates

Ally Inc. Senior Secured Credit Facility

On April 10, 2012, this facility was amended and the maturity date was extended to May 14, 2012. The borrowers, RFC and GMAC Mortgage (collectively, the Borrowers), no longer have the ability to request revolving loans under the facility. The facility is secured by certain domestic whole loans, accounts receivable, notes receivable, securities, and equity investments of the Borrowers. The facility contains limitations on the use of proceeds from sales of pledged collateral with any such proceeds required to be paid to Ally Inc. to reduce the balance outstanding.

Ally Inc. Line of Credit (LOC)

At March 31, 2012, the maximum capacity of the LOC was $1.6 billion, comprised of $1.1 billion of secured capacity and $500.0 million of unsecured capacity. On April 10, 2012, this facility was amended, extending the maturity date to May 14, 2012 and the $500.0 million of unsecured capacity was terminated. Certain domestic whole loans, accounts receivable, notes receivable, mortgage servicing rights, securities, and equity investments of the Borrowers secure draws under the LOC, which are available to the extent there is sufficient collateral securing the draw. Draws under the LOC are available only if certain unrestricted and unencumbered balances in U.S. dollars and cash equivalents of us and our subsidiaries are less than $300.0 million. The available amount and the borrowing base of the LOC will both be reduced by the amount of any collateral posted or delivered by Ally IM to the Borrowers or us pursuant to certain derivative transaction agreements with Ally IM. The obligations under the LOC and the Ally IM Derivative Agreements are cross-collateralized for the benefit of Ally Inc.

BMMZ Holdings, LLC Secured Financing Agreement (BMMZ Repo)

BMMZ Holdings LLC (BMMZ) is a wholly owned subsidiary of Ally Inc. The aggregate facility amount is $250.0 million. The secured financing agreement is collateralized by domestic mortgage loan assets. The maturity date is the earlier of the maturity date of the LOC or December 19, 2012.

Secured Funding Facilities

Mortgage Servicing Rights Facility

On March 31, 2012, the facility was amended such that no additional draws can be made after that date, effectively reducing the maximum capacity to $158.0 million. The facility maturity date was amended to the earlier of two days prior to the maturity of the Ally Inc. LOC or May 30, 2012.

Servicer Advance Funding Facilities

At March 30, 2012, the secured facility to fund mortgage servicer advances had total capacity of $800.0 million, consisting of an $800.0 million variable funding note which will begin amortizing on March 12, 2013 and has a stated final maturity of March 12, 2020. On March 13, 2012, the facility was amended whereby the new variable funding note was issued with the proceeds being used to pay down the then outstanding variable funding and term notes.

A second secured facility to fund mortgage servicer advances has capacity of $125.0 million. On August 1, 2012, the scheduled revolving period will end, after which date no new advances will be funded and the 18-month repayment period will begin. Termination will occur upon the earlier of the end of the repayment period or the date the outstanding loan amount is paid in full.

Home Equity Funding Facility

The secured facility to fund home equity mortgage loans consisted of $127.3 million in variable funding notes due to mature on February 25, 2031.

Collateralized Borrowings in Securitization Trusts

We previously sold pools of consumer mortgage loans through private-label securitization transactions. The purpose of these securitizations was to provide permanent funding and exit for these assets. Certain of these securitizations were accounted for as secured borrowings, and therefore, the debt is reflected on our Condensed Consolidated Balance Sheet.

Other Borrowings

Junior Secured Notes

The outstanding balance of the Junior Secured Notes at March 31, 2012, was $2.1 billion with a final maturity on May 15, 2015. The unamortized balance of deferred concession recognized as a result of our 2008 exchange offer was $220.2 million. The deferred concession is being amortized over the life of the secured notes using the effective yield method. For the three months ended March 31, 2012 and 2011, $25.9 million and $24.9 million, respectively, of deferred concession was amortized into earnings as a reduction of interest expense.

GMAC Mortgage, its immediate parent, GMAC Residential Holding Company, LLC (Res Holdings), RFC, its immediate parent, GMAC-RFC Holding Company, LLC (RFC Holdings), and Homecomings Financial, LLC (Homecomings), a wholly owned subsidiary of RFC, are all guarantors with respect to the junior secured notes.

Upon repayment in full of the Ally Inc. Senior Secured Credit Facility, net cash proceeds from sales of assets that were previously pledged as collateral to the Ally Inc. Senior Secured Credit Facility may be used to repurchase, optionally redeem or optionally prepay the junior secured notes. In the event net cash proceeds are not used to repurchase or optionally redeem or prepay the junior secured notes, or to reinvest in permissible collateral with a fair value substantially equivalent to the net cash proceeds (collectively, the Reinvested Proceeds), under certain circumstances, we may be required to make an offer to all holders of the junior secured notes to purchase notes in an amount equal to the excess of the net cash proceeds over the Reinvested Proceeds.

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

Unsecured Notes

As of March 31, 2012, unsecured notes include $673.3 million of U.S. dollar-denominated senior notes maturing between June 2012 and June 2015, $131.2 million euro-denominated notes maturing in May 2012 and $167.7 million U.K. sterling-denominated notes maturing between May 2013 and July 2014. We hedge a portion of the interest rate risk associated with our fixed-rate euro and U.K. sterling notes. As of March 31, 2012, we had interest rate swap agreements in place with notional amounts of $147.2 million and $103.9 million for our euro and U.K sterling denominated notes, respectively.

We did not make a $20.1 million semi-annual interest payment that was due on April 17, 2012, related to $473.0 million outstanding senior unsecured notes maturing in June 2013. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days.

Medium-term Unsecured Notes

Represents $140.4 million of peso-denominated notes issued by our wholly owned subsidiary GMAC Financiera S.A de C.V., SOFOM, ENR (GMAC Financiera) that mature in June 2012. ResCap, GMAC Mortgage, Res Holdings, RFC, RFC Holdings, and Homecomings are guarantors of the medium-term unsecured notes.

Collateral for Secured Debt

The following table summarizes the carrying value of assets that are restricted, pledged, or for which a security interest has been granted as collateral for the payment of certain debt obligations.

($ in thousands)	**March 31, 2012**	December 31, 2011
Cash and cash equivalents	**$85,628**	$82,389
Mortgage loans held–for–sale	**1,610,350**	1,688,037
Finance receivables and loans, net		
Consumer	**979,137**	1,005,982
Commercial	**4,205**	4,226
Total finance receivables and loans, net	**983,342**	1,010,208
Mortgage servicing rights	**843,299**	855,343
Accounts receivable, net	**2,481,190**	2,404,231
Other assets	**77,676**	81,960
Total assets restricted as collateral	**$6,081,485**	$6,122,168
Related secured debt	**$5,594,480**	$5,628,297

A portion of the assets included in the table above represent assets of subsidiaries whose equity has been pledged to secure the Ally Inc. Senior Secured Credit Facility and the Ally Inc. LOC. At March 31, 2012, there were $3.0 million of equity interests of these subsidiaries pledged to the Ally Inc. Senior Secured Credit Facility. We have also provided a lien on certain of our consolidated assets, as specified in the Ally Inc. Senior Secured Credit Facility agreements, for the benefit of the Ally Inc. Senior Secured Credit Facility and the Junior Secured Notes. Included in the table above is $1.9 billion and $2.0 billion at March 31, 2012 and December 31, 2011, respectively, of collateral pledged that can be re–hypothecated or re–pledged by the secured party.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

The following table summarizes the carrying value of assets pledged and the amount of related debt outstanding by our secured borrowing types.

	March 31, 2012		December 31, 2011	
($ in thousands)	**Total assets restricted as collateral**	**Related secured debt**	Total assets restricted as collateral	Related secured debt
Borrowings from parent and affiliate				
Ally Inc. Senior Secured Credit facility	**$1,326,032**	**$749,873**	$1,340,954	$755,769
Ally Inc. LOC	**1,553,328**	**410,000**	1,582,033	183,595
BMMZ Repo	**377,645**	**250,000**	401,118	250,000
Collateralized borrowings in securitization trusts	**912,434**	**828,418**	918,232	830,318
Other secured borrowings				
Junior Secured Notes (a)	**—**	**2,340,680**	—	2,366,600
Mortgage servicing rights facility	**675,544**	**158,000**	634,345	323,000
Servicer advance funding facilities	**1,083,408**	**727,838**	1,086,011	780,385
Home equity funding facility	**147,042**	**127,294**	153,191	135,800
Other secured facility	**6,052**	**2,377**	6,284	2,830
Total	**$6,081,485**	**$5,594,480**	$6,122,168	$5,628,297

(a) The Junior Secured Notes are secured by the same collateral that secures the Ally Inc. Senior Secured Credit facility.

9. Other Liabilities

($ in thousands)	**March 31, 2012**	December 31, 2011
Fair value of derivative instruments	**$3,928,437**	$5,113,531
Liability for option to repurchase assets (a)	**2,359,323**	2,386,734
Liability for representation and warranty obligations	**810,805**	824,776
Collateral received from derivative counterparties	**604,836**	656,109
Accounts payable	**317,493**	360,726
Interest payable	**126,803**	62,225
Reserve for legal proceedings	**99,646**	94,516
Mortgage foreclosure settlement	**92,061**	204,000
Reserve for insurance losses	**86,716**	91,615
Employee compensation and benefits	**67,966**	87,542
Liability for assets sold with recourse	**32,592**	32,156
Ally Inc. management fee (b)	**14,878**	31,020
Income taxes	**3,899**	—
Restructuring reserve	**1,901**	4,342
Payable to Ally Bank	**—**	21,001
Other	**21,805**	25,733
Total other liabilities	**$8,569,161**	$9,996,026

(a) We recognize a liability for the conditional repurchase option on certain assets held by off-balance sheet securitization trusts. The corresponding asset is recorded in mortgage loans held for sale. See Note 2 — Mortgage Loans Held-for-Sale and Note 4 — Securitizations and Variable Interest Entities for additional information.

(b) Includes costs for personnel, information technology, communications, corporate marketing, procurement, and services related to facilities incurred by Ally Inc. and allocated to us. See Note 17 — Related Party Transactions for additional information.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

10. Other Revenue, net

Three months ended March 31, *($ in thousands)*	**2012**	2011
Change due to fair value option elections		
Consumer mortgage finance receivables and loans, net	**$36,037**	$19,246
Collateralized borrowings	**(52,127)**	(36,148)
Loan broker fee from Ally Bank	**23,343**	9,496
Insurance income	**4,343**	6,357
Gain on interests retained in financial assets sales	**—**	3,430
Other	**8,436**	3,650
Total other revenue, net	**$20,032**	$6,031

11. Other Noninterest Expense, net

Three months ended March 31, *($ in thousands)*	**2012**	2011
Ally Inc. management fees (a)	**$29,053**	$16,915
Legal fees	**23,473**	10,191
Loan administration fees	**22,928**	18,244
Equipment and supplies	**6,868**	8,126
Insurance losses	**4,126**	12,577
Other	**13,056**	16,048
Total other noninterest expense, net	**$99,504**	$82,101

(a) Includes allocated costs for personnel, information technology, communication, corporate marketing, procurement, and services related to facilities incurred by Ally Inc. and allocated to us. See Note 17 — Related Party Transactions for additional information.

12. Income Tax

We are a division of Ally Inc, a corporation, for income tax purposes. We are subject to corporate U.S. Federal, state and local taxes and are included in the consolidated Ally Inc. U.S Federal and unitary and/or consolidated state income tax returns. We provide for our U.S. Federal and state taxes on a stand alone basis, which is consistent with the applicable tax sharing agreements with direct and indirect parent companies up through Ally Inc. The tax sharing agreement requires taxes to be based on the income tax liability determined as if we were a separate affiliated group of corporations filing consolidated U.S. Federal and state income tax returns. Our foreign businesses have been and continue to operate as corporations and are subject to, and provide for, U.S. Federal, state, and/or foreign income tax.

At March 31, 2012 and December 31, 2011 we have current income taxes payable of $11.1 million and $(1.7) million, respectively, to Ally Inc. pursuant to the tax sharing agreements.

We continue to be in a net deferred tax asset position, which is fully offset by a deferred tax asset valuation allowance. The net deferred tax asset includes a significant tax net operating loss carryforward. Thus, the year to date tax expense has been largely offset by the decrease of the applicable deferred tax asset valuation allowance. Tax expense from continuing operations of $5.9 million and $8.9 million for the three months ended March 31, 2012 and 2011 relates primarily to certain taxes that are not eligible for offset by U.S. net operating losses, including those on foreign income.

Gross unrecognized tax benefits totaled $7.6 million and $11.7 million at March 31, 2012 and 2011. The amount of unrecognized tax benefits that, if recognized, would affect our effective tax rate at March 31, 2012 and 2011 is approximately $5.3 million and $9.4 million, respectively. Related interest and penalties accrued for uncertain income tax positions are recorded in interest expense and other operating expenses, respectively. As of March 31, 2012 and 2011, we had approximately $2.3 million and $2.3 million, respectively, accrued for the payment of interest and penalties. We are generally no longer subject to U.S. federal, state, local, or foreign income tax examinations by tax authorities for years before 2007. A significant change in the unrecognized tax benefits is not expected within the next 12 months.

13. Fair Value

Fair Value Measurements

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.

A three–level hierarchy 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, we must have the ability to access the active market, and the quoted prices cannot be adjusted by us.
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 material transfers between any levels during the three months ended March 31, 2012.

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

- ***Mortgage loans held–for–sale*** – We originate and purchase residential mortgage loans that we intend to sell to the GSEs. We also own nonagency eligible residential mortgage loans that were originated or purchased in prior years. Consumer mortgage loans we intend to sell to the GSEs are carried at fair value as a result of a fair value election. Our nonagency eligible residential mortgage loans are accounted for at the lower of cost or fair value. We elected to fair value nongovernment eligible mortgage loans held–for–sale subject to conditional repurchase options recognized on or after January 1, 2011. Only those non-fair value elected loans that are currently being carried at fair value are included within our nonrecurring fair value measurement tables. Mortgage loans held–for–sale account for 9.7% of all recurring and nonrecurring assets reported at fair value at March 31, 2012.

  Mortgage loans held–for–sale are typically pooled together and sold into certain exit markets, depending upon underlying attributes of the loan, such as agency eligibility, 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.

  Loans valued using observable market prices for identical or similar assets (a Level 2 fair value) - 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. 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. As of March 31, 2012, we classified 34.3% of our mortgage loans held–for–sale that are being carried at fair value on a recurring basis as Level 2.

  Loans valued using internal models (a Level 3 fair value) - 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 utilize prepayment, default, and discount rate assumptions. To the extent available, we 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. While numerous controls exist to calibrate, corroborate, and validate the internal inputs, they require the use of judgment by us and can have a significant impact on the determination of the loan's fair value. As of March 31, 2012, 100.0% of our mortgage loans held–for–sale that are currently being carried at fair value on a nonrecurring basis and 65.7% of our mortgage loans held-for-sale that are carried at fair value on a recurring basis are classified as Level 3.

- ***Consumer Finance receivables and loans, net*** — We elected the fair value option for consumer mortgage finance receivables and loans related to our on–balance sheet securitizations. A complete description of these securitizations is provided in the *On-balance sheet securitization debt* section later in this Note. The remaining balance of our consumer finance receivables and loans are reported on the balance sheet at their principal amount outstanding, net of charge-offs, allowance for loan losses, and net premiums/discounts.

  For the securitization trusts for which we elected fair value option, the loans are measured at fair value using a portfolio approach. The values for loans held on an in-use basis may differ considerably from loans held–for–sale that can be sold in the whole-loan market. This difference arises primarily due to the liquidity of the ABS/MBS market and is evident in the fact that spreads applied to lower rated ABS/MBS are considerably wider than spreads observed on senior bond classes and in the whole-loan market. The objective in linking the fair value of these loans to the fair value of the related securitization debt is to properly account for our retained economic interest in the securitizations. As of March 31, 2012, we classified 100.0% of our fair value elected consumer mortgage finance receivables and loans as Level 3. These loans account for 12.9% of all recurring and nonrecurring assets reported at fair value at March 31, 2012.

- ***Mortgage servicing rights*** — MSRs currently do not trade in an active market with observable prices, therefore we use internally developed discounted cash flow models to estimate the fair value of MSRs. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that management believes approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees, in each case less estimated operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread derived discount rate. At March 31, 2012, 100.0% of our MSRs are classified as Level 3 and account for 19.5% of all recurring and nonrecurring assets reported at fair value.

- ***Derivative instruments*** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Derivative assets account for 56.3% of all recurring and nonrecurring assets and derivative liabilities account for 82.1% of all recurring and nonrecurring liabilities reported at fair value at March 31, 2012.

  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 contract; therefore, we classified these contracts as Level 1. We classified less than 1% of the derivative assets and less than 1% of the derivative liabilities reported at fair value as Level 1 at March 31, 2012.

  We also execute over–the–counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors and agency-to-be-announced (TBAs) securities. We utilize third–party–developed valuation models that are widely accepted in the market to value our over–the–counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified 99.1% of the derivative assets and 98.8% of the derivative liabilities reported at fair value as Level 2 at March 31, 2012.

  We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on–balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. These derivative contracts accounted for less than 1% of the derivative assets and less than 1% of the derivative liabilities reported at fair value at March 31, 2012.

  At March 31, 2012, we were counterparty to a forward flow agreement with Ally Bank, which effectively transfers the exposure to changes in fair value of specified pools of Ally Bank's mortgage loans held–for–sale and interest rate lock commitments to us. In addition, at March 31, 2012 we were counterparty to a total return swap agreement with Ally Bank that effectively transfers the total economic return of a specified portfolio of mortgage servicing rights owned by Ally Bank to us in exchange for a variable payment based on a fixed spread to LIBOR. The underlying reference assets that support the value of the swap agreements are valued using internally developed valuation assumptions; therefore the swaps are classified as Level 3. These agreements accounted for less than 1% of the derivative assets and less than 1% of the derivative liabilities reported at fair value at March 31, 2012. Both of these agreements were terminated on April 30, 2012. See Note 17 — Related Party Transactions for additional information.

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

- ***On-balance sheet securitizations*** — We elected the fair value option for certain consumer mortgage finance receivables and loans, and securitization debt for certain of our on-balance sheet securitizations. The objective in measuring these loans and related securitization debt at fair value is to approximate our economic exposure to the collateral securing the securitization debt. The remaining on-balance sheet securitization debt that was not fair value option–elected is reported on the balance sheet at cost, net of premiums or discounts and all issuance costs.

  We value securitization debt that was fair value option–elected, as well as any trading securities or interests retained in financial asset sales, using market observable prices whenever possible. The securitization debt is principally in the form of asset-backed and mortgage-backed securities collateralized by the underlying consumer mortgage finance receivables and loans. Due to the attributes of the underlying collateral and current capital market conditions, observable prices for these instruments are typically not available in active markets. We base valuations on internally developed discounted cash flow models that use a market-based discount rate. In order to estimate cash flows, we utilize various significant assumptions, including market observable inputs such as forward interest rates, as well as internally developed inputs such as prepayment speeds, delinquency levels, and credit losses. As a result of the reliance on significant assumptions and estimates for model inputs, at March 31, 2012, 100.0% of fair value option–elected securitization debt is classified as Level 3. On-balance sheet securitization debt accounts for 17.3% of all recurring and nonrecurring liabilities reported at fair value at March 31, 2012.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Recurring Fair Value

The following tables display the assets and liabilities measured at fair value on a recurring basis, including financial instruments for which we elected the fair value option. In certain cases we economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The table below displays the hedges separately from the hedged items and, therefore, does not directly display the impact of our risk management activities.

	Recurring fair value measurements			
March 31, 2012 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Mortgage loans held-for-sale (a)	**$—**	**$15,925**	**$30,494**	**$46,419**
Consumer mortgage finance receivables and loans, net (a)	**—**	**—**	**832,094**	**832,094**
Mortgage servicing rights	**—**	**—**	**1,254,497**	**1,254,497**
Other assets				
Fair value of derivative contracts in receivable position				
Interest rate contracts	**3,145**	**3,588,513**	**29,790**	**3,621,448**
Trading securities				
Mortgage and asset backed residential	**—**	**417**	**31,885**	**32,302**
Total assets	**$3,145**	**$3,604,855**	**$2,178,760**	**$5,786,760**
Liabilities				
Collateralized borrowings				
On-balance sheet securitization debt (a)	**$—**	**$—**	**($828,418)**	**($828,418)**
Other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	**(18,708)**	**(3,882,257)**	**(27,107)**	**(3,928,072)**
Foreign currency contracts	**—**	**(365)**	**—**	**(365)**
Liability for option to repurchase assets (a)	**—**	**—**	**(29,603)**	**(29,603)**
Total liabilities	**($18,708)**	**($3,882,622)**	**($885,128)**	**($4,786,458)**

(a) Carried at fair value due to fair value option election.

	Recurring fair value measurements			
December 31, 2011 *($ in thousands)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Mortgage loans held-for-sale (a)	$—	$27,253	$29,723	$56,976
Consumer mortgage finance receivables and loans, net (a)	—	—	835,192	835,192
Mortgage servicing rights	—	—	1,233,107	1,233,107
Other assets				
Fair value of derivative contracts in receivable position				
Interest rate contracts	61,025	4,780,995	35,038	4,877,058
Foreign currency contracts	—	139	—	139
Trading securities				
Mortgage and asset backed residential	—	434	32,869	33,303
Interests retained in financial asset sales	—	—	23,102	23,102
Total assets	$61,025	$4,808,821	$2,189,031	$7,058,877
Liabilities				
Collateralized borrowings				
On-balance sheet securitization debt (a)	$—	$—	($829,940)	($829,940)
Other liabilities				
Fair value of derivative contracts in liability position				
Interest rate contracts	(18,445)	(5,089,201)	(24)	(5,107,670)
Foreign currency contracts	—	(5,861)	—	(5,861)
Liability for option to repurchase assets (a)	—	—	(28,504)	(28,504)
Total liabilities	($18,445)	($5,095,062)	($28,528)	($5,142,035)

(a) Carried at fair value due to fair value option election.

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

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

March 31, 2012 *($ in thousands)*	**Level 3 recurring measurements**	**Valuation technique**	**Unobservable input**	**Range**
Assets				
Consumer mortgage finance receivables and loans, net (a)	**$832,094**	Discounted cash flow	Prepayment rate	2.52-12.91%
			Default rate	1.08-34.75%
			Loss severity	40.0-100.0%
Mortgage servicing rights	**1,254,497**	(b)	(b)	(b)
Liabilities				
Collaterlized borrowings				
On-balance sheet securitization debt (a)	**($828,418)**	(a)	(a)	(a)

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

(b) Refer to Note 5 – Servicing Activities for information related to the significant unobservable inputs and valuation techniques used in the mortgage servicing rights fair value measurement.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. Transfers into or out of Level 3 are recognized as of the end of the reporting period in which the transfer occurred. In certain cases we 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 gains/(losses) included in earnings							
($ in thousands)	January 1, 2012 Level 3 fair value	realized gains (losses)	unrealized gains (losses)	Other comprehensive income (loss)	Purchases	Sales	Issuances	Settlements	March 31, 2012 Level 3 fair value
Assets									
Mortgage loans held-for-sale	$29,723	($37)	$250	$—	$8,923 (a)	$—	$—	($8,365)	$30,494
Consumer mortgage finance receivables and loans, net	835,192	51,328 (b)	35,448 (b)	—	—	—	—	(89,874)	832,094
Mortgage servicing rights	1,233,107	—	10,817 (c)	—	—	—	10,573	—	1,254,497
Other assets									
Fair value of derivative contracts in receivable position, net									
Interest rate contracts	35,014	66,983 (d)	(58,479) (d)	—	—	—	—	(40,835)	2,683
Trading securities									
Mortgage and asset backed residential	32,869	(1,214) (e)	3,627 (e)	—	—	—	103	(3,500)	31,885
Interests retained in financial asset sales	23,102	(501) (f)	(5) (f)	—	—	—	—	(22,596)	—
Total assets	$2,189,007	$116,559	($8,342)	$—	$8,923	$—	$10,676	($165,170)	$2,151,653
Liabilities									
Collateralized borrowings									
On-balance sheet securitization debt	($829,940)	$ (43,820) (b)	$ (39,386) (b)	$—	$—	$—	$—	$84,728	($828,418)
Other liabilities									
Liability for option to repurchase assets	(28,504)	37	(250)	—	(8,923) (a)	—	—	8,037	(29,603)
Total liabilities	($858,444)	($43,783)	($39,636)	$—	($8,923)	$—	$—	$92,765	($858,021)

(a) Includes newly recognized fair value option elected conditional repurchase loans and the related liability. See Note 4 Securitizations and Variable Interest Entities for additional information.
(b) Fair value adjustment reported in other revenue, net, and related interest on loans and debt are reported in interest income and interest expense, respectively.
(c) Fair value adjustment reported in servicing asset valuation and hedge activities, net.
(d) See Note 14 — Derivative Instruments and Hedging Activities for location of fair value adjustments in our Condensed Consolidated Statement of Income.
(e) Fair value adjustment reported in gain (loss) on investment securities, net. Interest accretion on these assets is reported in interest income.
(f) Fair value adjustment reported in other revenue, net, and interest accretion on these assets is reported in interest income.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

	Level 3 recurring fair value measurements								
		Net gains/(losses) included in earnings							
($ in thousands)	January 1, 2011 Level 3 fair value	realized gains (losses)	unrealized gains (losses)	Other comprehensive income (loss)	Purchases	Sales	Issuances	Settlements	March 31, 2011 Level 3 fair value
Assets									
Mortgage loans held-for-sale	$4,084	($27)	$98	$—	$14,189 (a)	($388)	$—	$—	$17,956
Consumer mortgage finance receivables and loans, net	1,014,703	57,458 (b)	15,809 (b)	—	—	—	—	(117,313)	970,657
Mortgage servicing rights	1,991,586	66 (c)	36,489 (c)	—	—	(139)	18,370	(67)	2,046,305
Other assets									
Fair value of derivative contracts in receivable (liability) position, net									
Interest rate contracts	69,353	212,905 (d)	137,723 (d)	—	—	—	—	(422,563)	(2,582)
Trading securities									
Mortgage- and asset-backed residential	44,128	(1,362) (e)	2,052 (e)	—	—	—	131	(4,871)	40,078
Available for sale securities									
Debt securities									
Mortgage-backed residential	989	—	—	543	—	—	—	(104)	1,428
Interests retained in financial asset sales	20,588	—	4,353 (f)	—	—	—	—	(599)	24,342
Total assets	$3,145,431	$269,040	$196,524	$543	$14,189	($527)	$18,501	($545,517)	$3,098,184
Liabilities									
Collateralized borrowings									
On-balance sheet securitization debt	($972,068)	$ (71,650) (b)	$4,702 (b)	$—	$—	$—	$—	$117,413	($921,603)
Other liabilities									
Liability for option to repurchase assets	—	—	—	—	(14,284) (a)	—	—	—	(14,284)
Total liabilities	($972,068)	($71,650)	$4,702	$—	($14,284)	$—	$—	$117,413	($935,887)

(a) Includes newly recognized fair value option elected conditional repurchase loans and the related liability. See Note 4 — Securitizations and Variable Interest Entities for additional information.
(b) Fair value adjustment reported in other revenue, net, and related interest on loans and debt are reported in interest income and interest expense, respectively.
(c) Fair value adjustment reported in servicing asset valuation and hedge activities, net.
(d) See Note 14 — Derivative Instruments and Hedging Activities for location of fair value adjustments in our Condensed Consolidated Statement of Income.
(e) Fair value adjustment reported in gain (loss) on investment securities, net. Interest accretion on these assets is reported in interest income.
(f) Fair value adjustment reported in other revenue, net, and interest accretion on these assets is reported in interest income.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Nonrecurring Fair Value

We may be required to measure certain assets or liabilities at fair value from time-to-time. These periodic fair value measures typically result from application of lower of cost or fair value or certain impairment measures. These items would constitute nonrecurring fair value measures. The table below presents those items which we measured at fair value on a nonrecurring basis.

March 31, ($ in thousands)	Nonrecurring fair value measures Level 1	Level 2	Level 3	Total estimated fair value	Lower of cost or fair value or valuation allowance	Total gains included in income from continuing operations for the three months ended	
2012							
Mortgage loans held–for–sale (a)	$—	$—	$579,914	$579,914	($56,780)	n/m	(e)
Commercial finance receivables and loans, net (b)	—	1,591	22,949	24,540	(16,605)	n/m	(e)
Other assets							
Foreclosed assets (c)	—	30,091	13,830	43,921	(12,050)	n/m	(e)
Total	$—	$31,682	$616,693	$648,375	($85,435)	$—	
2011							
Mortgage loans held–for–sale (a)	$—	$—	$597,363	$597,363	($50,477)	n/m	(e)
Commercial finance receivables and loans, net (b)	—	13,042	59,793	72,835	(16,137)	n/m	(e)
Other assets							
Foreclosed assets (c)	—	38,160	22,918	61,078	(8,776)	n/m	(e)
Real estate and other investments (d)	—	1,579	—	1,579	n/m	16	(f)
Total	$—	$52,781	$680,074	$732,855	($75,390)	$16	

n/m = not meaningful

(a) Represents loans or pools of loans held–for–sale that are required to be measured at lower of cost or fair value. Only loans or pools of loans with fair values below cost are included in the table above. The related valuation allowance represents the cumulative adjustment to fair value of those loans and pool of loans.

(b) Represents the portion of the commercial portfolio that has been specifically impaired. The related valuation allowance represents the cumulative adjustment to fair value of those specific commercial finance receivables and loans and represents the most relevant indicator of the impact on earnings caused by the fair value measurement. The carrying values are inclusive of the respective loan loss allowance.

(c) The allowance provided for foreclosed assets represents any cumulative valuation adjustments recognized to adjust the assets to fair value less costs to sell.

(d) Certain assets within the model home portfolio have been impaired and are being carried at (a) estimated fair value if the model home is under lease or (b) estimated fair value less costs to sell if the model home is being marketed for sale.

(e) We consider the applicable valuation 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.

(f) The total loss included in earnings is the most relevant indicator of the impact on earnings caused by the fair value measurement.

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

March 31, 2012 ($ in thousands)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range (weighted average)
Assets				
Mortgage loans held-for-sale, net	$ 579,914	Discounted cash flow	Prepayment speeds	0.0-13.8%
			Default rate	2.2-17.4%
			Loss severity	47.5-98.5%
			Discount Rate	14.55%

Fair Value Option for Financial Assets and Financial Liabilities

We have elected to value certain financial assets and liabilities at fair value consistent with our intent to mitigate a divergence between our accounting results and our retained economic exposure related to these assets and liabilities.

Financial assets and liabilities elected to be measured at fair value are as follows.

- ***On-balance sheet securitizations*** – We elected the fair value option for domestic on-balance sheet securitization trusts in which we estimated that the credit reserves pertaining to securitized assets could have exceeded or already had exceeded our economic exposure or were required to be consolidated upon the adoption of ASU 2009-17. The fair value option election was made at a securitization level and thus the election was made for both the consumer mortgage finance receivable and loans and the related securitization debt.

  The fair value elected loan balances are recorded within consumer finance receivables and loans, net, unless they are repurchased from a securitization trust in which case they are recorded in mortgage loans held-for–sale. Our policy is to separately record interest income on these fair value elected loans. The fair value adjustment recorded for consumer finance receivables and loans is classified as other revenue, net, and the fair value adjustment for mortgage loans held-for-sale is classified as gain on mortgage loans.

  The fair value elected securitization debt balances are recorded within collateralized borrowings in securitization trusts. Our policy is to separately record interest expense on the fair value elected securitization debt, which is classified as interest expense. The fair value adjustment recorded for this debt is classified as other revenue, net.

- ***Government – and agency – eligible loans*** – We elected the fair value option for government– and agency–eligible consumer mortgage loans held–for–sale. This election includes government– and agency–eligible loans we fund directly to borrowers and government– and agency–eligible loans we purchase from Ally Bank. The fair value option was elected to mitigate earnings volatility by better matching the accounting for the assets with the related hedges and to maintain consistency with the fair value option election by Ally Bank given the level of affiliate loan purchase and sale activity between the entities. See Note 17 — Related Party Transactions for additional information.

  We carry fair value option–elected government– and agency–eligible loans within mortgage loans held–for–sale. Our policy is to separately record interest income on these fair value elected loans. Upfront fees and costs related to the fair value elected loans are not deferred or capitalized. The fair value adjustment recorded for these fair value option–elected loans is reported in gain on mortgage loans, net. The fair value option election is irrevocable once the loan is funded even if it is subsequently determined that a particular loan cannot be sold.

- ***Conditional repurchase option loans and liabilities*** – 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. The conditional repurchase option allows 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 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 are required to 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 loans and liabilities that were recorded prior to January 1, 2011, were not fair value elected.

  The fair value elected conditional repurchase option loans are recorded within mortgage loans held–for–sale. The fair value adjustment is classified as other revenue, net. We do not recognize interest income on conditional repurchase option loans until the option is exercised and the loan is repurchased.

  The corresponding fair value elected liability is recorded in other liabilities. The fair value adjustment recorded for this liability is classified as other revenue, net.

Notes to Condensed Consolidated Financial Statements
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The following table summarizes the fair value option elections and information regarding the amounts recognized in earnings for each fair value option–elected item.

	Changes included in our Condensed Consolidated Statement of Income					
March 31, (*$ in thousands*)	Interest income (expense) (a)	Gain on mortgage loans, net	Other revenue, net	Total included in net income	Change in fair value due to credit risk	(b)
2012						
Assets						
Mortgage loans held–for–sale (c)	$286	$243,407	$—	$243,693	($490)	(d)
Consumer mortgage finance receivables and loans, net	44,139	—	42,637	86,776	(27,220)	(e)
Liabilities						
Collateralized borrowings						
On-balance sheet securitizations	(25,900)	—	(57,306)	(83,206)	(7,306)	(f)
Liability for option to repurchase assets	—	—	(213)	(213)	490	(f)
Total				$247,050		
2011						
Assets						
Mortgage loans held–for–sale (c)	$221	$51,498	$98	$51,817	($18)	(d)
Consumer mortgage finance receivables and loans, net	54,021	—	19,246	73,267	(17,444)	(e)
Liabilities						
Collateralized borrowings	(30,801)	—	(36,148)	(66,949)	26,927	(f)
Total				$58,135		

(a) Interest income on consumer mortgage finance receivables and loans and mortgage loans held–for–sale is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due. Interest expense on the on-balance sheet securitizations is measured by multiplying the bond principal by the coupon rate and days interest due to the investor.

(b) Factors other than credit quality that impact the fair value include changes in market interest rates and the liquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.

(c) Includes the gain/loss recognized on fair value option–elected government– and agency–eligible assets purchased from Ally Bank.

(d) The credit impact for mortgage loans held–for–sale that are currently agency eligible is currently zero because the fair value option–elected GSE loans are salable, and any unsalable assets are currently covered by a government guarantee. The credit impact for non-agency eligible loans and related liability was quantified by applying internal credit loss assumptions to cash flow models.

(e) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.

(f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero, at which point the losses in 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 may make credit adjustments to the extent any bond classes are downgraded by rating agencies.

The table below provides the fair value and the unpaid principal balance for our fair value option–elected loans and related collateralized borrowings.

	March 31, 2012		December 31, 2011	
($ in thousands)	**Unpaid principal balance**	**Fair value (a)**	Unpaid principal balance	Fair value (a)
Mortgage loans held–for–sale				
Total loans	**$76,796**	**$46,419**	$84,099	$56,975
Nonaccrual loans	**57,916**	**28,293**	53,502	27,297
Loans 90+ days past due (b)	**57,789**	**28,140**	53,312	27,179
Consumer mortgage finance receivables and loans, net				
Total loans	**$2,385,658**	**$832,094**	$2,436,218	$835,192
Nonaccrual loans	**510,437**	**213,935 (c)**	506,300	209,371 (c)
Loans 90+ days past due (b)	**383,837**	**172,611 (c)**	362,002	162,548 (c)
Collateralized borrowings				
On-balance sheet securitizations	**($2,513,734)**	**($828,418)**	($2,559,093)	($829,940)
Other liabilities				
Liability for option to repurchase assets	**($61,490)**	**($29,603)**	($56,568)	($28,504)

(a) Excludes accrued interest receivable.
(b) Loans 90+ days past due are also presented within the nonaccrual loans and total loans except those that are government insured and still accruing.
(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and 90+ days past due to individual loans based on the unpaid principal balances.

14. Derivative Instruments and Hedging Activities

We transact interest rate and foreign currency swaps, futures, forwards, options, swaptions, and TBAs in connection with our risk management activities. Our primary objective for executing these financial instruments is to mitigate our economic exposure to future events that are outside our control. These financial instruments are utilized principally to manage market risk and cash flow volatility associated with mortgage loans held–for–sale and MSRs, including our total return and forward flow agreements with Ally Bank. See Note 17 — Related Party Transactions for additional information. We do not transact derivative instruments for reasons beyond risk management.

In addition to derivatives transacted as part of our risk management activities, we create derivative contracts as part of our ongoing operations. In particular, we frequently execute forward mortgage loan purchase and sale commitments with Ally Bank and financial institutions, respectively, principally to provide a future source of mortgage volume and dedicated exit channels.

Additionally, we enter into commitments with mortgage borrowers that require us to originate a mortgage at a stated amount and rate; these are derivative contracts if our intent is ultimately to hold the originated loan for sale. We refer to commitments to purchase mortgage loans from Ally Bank and commitments to originate mortgage loans held–for–sale, collectively, as interest rate lock commitments (IRLCs).

The following summarizes our significant asset and liability classes, the risk exposures for these classes, and our risk management activities utilized to mitigate certain of these risks. The discussion includes both derivative and nonderivative financial instruments utilized as part of these risk management activities.

Interest Rate Sensitive Assets/Liabilities

- ***Mortgage loan commitments and loans held–for–sale*** — We are exposed to interest rate risk from the time an IRLC is made, either directly or indirectly through the forward flow agreement with Ally Bank, until the time the mortgage loan is sold. Changes in interest rates impact the market price for the mortgage loan; as market interest rates decline, the value of existing IRLCs and mortgage loans held–for–sale increase and vice versa. The primary objective of our risk management activities related to IRLCs and mortgage loans held–for–sale is to eliminate or reduce any interest rate risk associated with these assets.

  We enter into forward sale contracts of mortgage-backed securities, primarily agency TBAs, as our primary strategy to mitigate this risk. These contracts are typically entered into at the time the interest rate lock commitment 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 may also use other derivatives, such as options, and futures, to economically hedge certain portions of the portfolio. Nonderivative instruments, such as short positions on U.S. Treasuries, may also be used to economically hedge the portfolio. We monitor and actively manage our risk on a daily basis; therefore trading volume can be significant.

We do not apply hedge accounting to our derivative portfolio held to economically hedge our IRLCs and mortgage loans held–for–sale. Included in the derivatives on IRLCs and mortgage loans held–for–sale is the forward flow agreement with Ally Bank having a fair value of $(27.1) million and an outstanding notional of $6.3 billion at March 31, 2012. Under the terms of the forward flow agreement, Ally Bank transfers the exposure to changes in fair value of specified pools of assets, in this case IRLCs and mortgage loans held–for–sale, to us. This agreement was terminated on April 30, 2012. See Note 17 — Related Party Transactions for additional information.

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

  We use a variety of derivative instruments to manage the interest rate risk related to MSRs and other retained interests. These include, but are not limited to, interest rate futures, 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 caps. While we do not currently utilize nonderivative instruments (i.e., U.S. Treasuries) to hedge this portfolio, we have utilized them in the past and may utilize them again in the future. We monitor and actively manage our risk on a daily basis, and therefore trading volume can be significant.

  Included in the derivatives hedging MSRs and retained interests is a total return swap with Ally Bank having a fair value of $29.4 million at March 31, 2012. Under the terms of the total return swap, Ally Bank transfers the total economic return of a specified portfolio of mortgage servicing rights owned by Ally Bank to us in exchange for a variable payment based on a fixed spread to LIBOR. This agreement was terminated on April 30, 2012. See Note 17 — Related Party Transactions for additional information.

- ***Debt*** — We monitor our mix of fixed and floating 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 manage the interest rate composition of our debt portfolio. Typically, the significant terms of the interest rate swaps match the terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

  In addition to these economic hedges, we also hold interest rate swaps that are hedging a portion of our fixed-rate senior unsecured notes. We utilize the interest rate swaps to hedge the fair value of the hedged debt balances. We elected to designate these as fair value hedges at inception. At December 31, 2011, we dedesignated our fair value swaps due to ineffectiveness.

Foreign Currency Risk

We have operations outside the United States. Our foreign subsidiaries maintain both assets and liabilities in local currencies that are deemed to be the functional currencies of these subsidiaries for accounting purposes. Foreign currency exchange rate gains and losses arise when assets or liabilities are denominated in currencies that differ from the entities functional currency and are revalued into the functional currency. In addition, our equity is impacted by the cumulative translation adjustments recognized in other comprehensive income resulting from the translation of foreign subsidiary results to U.S. dollars. Foreign currency risk is reviewed as part of our risk management process. The principal currencies creating foreign exchange risk are the U.K. Sterling and the Euro.

Our current strategy is to economically hedge foreign currency risk related to assets and liabilities that are denominated in currencies on our U.S. dollar functional currency entities. The principal objective of the foreign currency hedges is to mitigate the earnings volatility specifically created by foreign currency exchange rate gains and losses. We hold forward currency contracts to mitigate risk against currency fluctuation in the U.K. Sterling and the Euro. We have not elected to treat any foreign currency swaps 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 and Collateral Arrangements

Derivative financial instruments contain an element of credit risk if counterparties, including affiliates, are unable to meet the terms of their agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contracts completely fail to perform under the terms of those contracts, assuming there are no recoveries of underlying collateral, as measured by the fair value of the derivative financial instruments. At March 31, 2012 and December 31, 2011, the fair value of derivative financial instruments in an asset, or receivable position, were $3.6 billion and $4.9 billion, including $2.2 billion and $3.2 billion with affiliates, respectively. See Note 17 — Related Party Transactions for additional information.

We minimize the credit risk exposure by limiting our counterparties to those major banks and financial institutions that meet established credit guidelines and transacting with and through affiliates. Additionally, we reduce credit risk on the majority of our derivative financial instruments by entering into legally enforceable agreements that permit the closeout and netting of transactions with the same counterparty upon occurrence of certain events. To further mitigate the risk of counterparty default, we execute collateral agreements with counterparties. The agreements require both parties to maintain cash deposits in the event the fair values of the derivative financial instruments meet established thresholds. We have received cash deposits from counterparties totaling $578.7 million and $656.1 million at March 31, 2012 and, December 31, 2011, respectively, for derivative positions in an asset position to us. We have placed cash deposits totaling $1.1 billion and $1.1 billion at March 31, 2012 and December 31, 2011, respectively, in accounts maintained by counterparties for derivative positions in a liability position to us. The cash deposits placed and received are included in accounts receivable, other assets, and other liabilities.

We are not exposed to credit risk related contingent features in any of our derivative contracts that could be triggered and potentially could expose us to future loss.

Condensed Consolidated Balance Sheet Presentation

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

	March 31, 2012			December 31, 2011		
	Fair value of derivative contracts in			Fair value of derivative contracts in		
($ in thousands)	**receivable position (a)**	**payable position (b)**	**Notional amount**	receivable position (a)	payable position (b)	Notional amount
Economic hedges						
Interest rate risk						
MSRs and retained interests	**$3,554,216**	**($3,893,704)**	**$418,931,706**	$4,811,804	($5,011,576)	$523,142,192
Mortgage loans held-for-sale	**16,115**	**(7,260)**	**9,040,618**	8,770	(96,077)	17,323,000
Debt	**18,887**	**—**	**251,122**	21,066	—	251,790
Total interest rate risk	**3,589,218**	**(3,900,964)**	**428,223,446**	4,841,640	(5,107,653)	540,716,982
Foreign exchange risk	**2,439**	**(365)**	**160,748**	520	(5,873)	3,157,000
Non-risk management derivatives						
Bank MSR swap	**29,442**	**—**	**1,407,351**	17,681	—	1,384,835
Bank forward flow agreement	**—**	**(27,105)**	**6,269,576**	16,423	—	9,825,783
Mortgage loan commitments	**349**	**(3)**	**27,542**	933	(5)	77,633
Total derivatives	**$3,621,448**	**($3,928,437)**	**$436,088,663**	$4,877,197	($5,113,531)	$555,162,233

(a) Presented in other assets.
(b) Presented in other liabilities.

Condensed Consolidated Statement of Income Presentation

The following table summarizes the location and amount of gains and losses from continuing operations reported in our Condensed Consolidated Statement of Income related to derivative instruments. Gains and losses are presented separately for derivative instruments designated and qualifying as hedging instruments in fair value hedges and non-designated hedging instruments. We currently do not have qualifying cash flow or foreign currency hedges.

Three months ended March 31, *($ in thousands)*	**2012**	2011
Qualifying accounting hedges		
Gain (loss) recognized in earnings on derivatives		
Interest rate contracts		
Interest income	$—	($1,535)
Gain (loss) recognized in earnings on hedged item		
Interest rate contracts		
Interest expense	—	1,813
Total qualifying accounting hedges	—	278
Economic hedges		
Risk management derivatives		
Gain (loss) recognized in earnings on derivatives		
Interest rate contracts		
Interest expense	**(1,633)**	(1,672)
Gain on mortgage loans, net	**(52,099)**	(43,622)
Servicing asset valuation and hedge activities, net	**8,075**	(203,625)
Other revenue, net	**(369)**	—
Total interest rate contracts	**(46,026)**	(248,919)
Foreign exchange contracts		
Other noninterest expense, net	**6,274**	(1,298)
Non-risk management derivatives		
Gain on mortgage loans, net	**(87,921)**	134,512
Servicing asset valuation and hedge activities, net	**96,424**	216,048
Total derivatives	**($31,249)**	$100,621

Our derivative portfolios generally are reflected in the operating activities section of our Condensed Consolidated Statement of Cash Flows. Derivative fair value adjustments are captured in our Condensed Consolidated Statement of Income line items described in the table above and, accordingly, are generally reflected within the respective line items within the reconciliation of net income (loss) to net cash provided by operating activities section of our Condensed Consolidated Statement of Cash Flows. The remaining changes in derivative portfolio values are generally reflected within the "net change in other assets" or "net change in other liabilities" line items on our Condensed Consolidated Statement of Cash Flows.

15. Higher Risk Mortgage Loans and Credit Quality

Historically, we originated and purchased mortgage loans that had contractual features that may increase our exposure to credit risk and thereby result in a concentration of credit risk. These mortgage loans include loans that may subject borrowers to significant payment increases in the future, have negative amortization of the principal balance or have high loan-to-value ratios.

The following table summarizes the gross carrying value of our higher-risk mortgage loans classified as held-for-sale and finance receivables and loans.

($ in thousands)	**March 31, 2012**	December 31, 2011
High loan-to-value (greater than 100%) mortgage loans	**$475,415**	$488,627
Payment option adjustable rate mortgage loans	**13,176**	12,140
Interest-only mortgage loans	**286,740**	293,975
Below market initial rate mortgage loans	**250,517**	259,177
Total carrying value of higher-risk mortgages	**$1,025,848**	$1,053,919

Included in the table above are $350.7 million and $362.5 million of high-risk mortgage loans held in on-balance sheet securitizations at March 31, 2012 and December 31, 2011, respectively. Our exposure on these loans is limited to the value of our retained interest.

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As part of our loss mitigation efforts and participation in certain governmental programs (e.g., the Making Home Affordable program), we may offer loan restructurings to borrowers. Due to the nature of restructurings, these loans are generally considered higher risk. Loan modifications can include any or all of the following; principal forgiveness, maturity extensions, delinquent interest capitalization and changes to contractual interest rates. Modifications can be either temporary or permanent. Temporary loan modifications are generally used to monitor the borrower's ability to perform under the revised terms over a specified trial period; if the borrower performs, it may become a permanent loan modification. We have historically performed loan modifications under our private modification program; however, more recently the majority of loan modifications are completed under government programs. The carrying value of our on-balance sheet modified mortgage loans was $1.4 billion and $1.2 billion as of March 31, 2012 and December 31, 2011, respectively. These modified mortgage loans are included within mortgage loans held–for–sale and consumer finance receivables and loans.

Nonperforming Assets

Nonperforming assets include nonaccrual loans and foreclosed assets. The classification of a loan as nonperforming does not necessarily indicate that the principal amount of the loan is ultimately uncollectible in whole or in part. In certain cases, borrowers make payments to bring their loans contractually current and, in all cases, our mortgage loans are collateralized by residential real estate. As a result, our experience has been that any amount of ultimate loss for mortgage loans other than home equity loans is substantially less than the unpaid principal balance of a nonperforming loan.

Delinquent loans expose us to higher levels of credit losses and therefore are considered higher risk loans. The determination as to whether a loan falls into a particular delinquency category is made as of the close of business on the balance sheet date. The following table sets forth information concerning the delinquency experience in our mortgage loans held–for–sale and consumer finance receivable and loans at carrying value.

	March 31, 2012		December 31, 2011	
($ in thousands)	**Amount**	**% of total**	Amount	% of total
Current	**$2,065,619**	**39.2%**	$2,003,928	38.0%
Past due				
30 to 89 days	**136,907**	**2.6%**	137,590	2.6%
90 days or more and still accruing interest (a)	**72,727**	**1.4%**	73,661	1.4%
90 days or more conditional repurchase option loans (b)	**2,352,657**	**44.7%**	2,379,926	45.1%
Nonaccrual	**639,475**	**12.1%**	677,250	12.9%
Total	**5,267,385**	**100%**	5,272,355	100%
Allowance for loan losses	**(12,183)**		(13,638)	
Total, net	**$5,255,202**		$5,258,717	

(a) Loans that are 90 days or more delinquent and still accruing interest are government insured.

(b) We do not record interest income on conditional repurchase option loans. If these options were exercised and we acquired the loans, $2.3 billion and $2.3 billion would be classified as 90 days or more and still accruing due to government guarantees at March 31, 2012 and December 31, 2011, respectively. The private-label conditional repurchase option loans of $99.3 million and $105.8 million would be classified as nonaccrual at March 31, 2012 and December 31, 2011, respectively.

The following table presents the net carrying value of nonperforming assets.

($ in thousands)	**March 31, 2012**	December 31, 2011
Nonaccrual consumer		
1st Mortgage	**$440,963**	$462,275
Home equity	**57,823**	71,787
Foreign	**140,689**	143,188
Total nonaccrual consumer (a)	**639,475**	677,250
Nonaccrual commercial		
Domestic	—	—
Foreign	**41,145**	12,534
Total nonaccrual commercial	**41,145**	12,534
Foreclosed assets	**63,987**	71,485
Total nonperforming assets	**$744,607**	$761,269

(a) Excludes loans subject to conditional repurchase options of $2.3 billion and $2.3 billion sold to Ginnie Mae guaranteed securitizations and $99.3 million and $105.8 million sold to off-balance sheet private-label securitization trusts at March 31, 2012 and December 31, 2011, respectively. The corresponding liability is recorded in other liabilities. See Note 5 — Securitizations and Variable Interest Entities for additional information.

16. Contingencies and Other Risks

We currently estimate that it is reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims described herein could be between $0.0 billion and $4.0 billion over amounts already recorded. This estimate is based on significant judgment and numerous assumptions that are subject to change, which could be material.

Mortgage Foreclosure Matters

Settlements with Federal Government and State Attorneys General

Agreement

On February 9, 2012, Ally Inc., ResCap, and certain of our subsidiaries reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Settlement). On March 12, 2012, the Settlement was filed as a consent judgment in the U.S. District Court for the District of Columbia. In addition, we separately reached an independent settlement with Oklahoma, which did not participate in the broader settlement described below, and agreements with two other states for other releases.

In connection with the settlement we paid $109.6 million to a trustee, for distribution to federal and state governments in March 2012. In addition, we also paid $2.3 million in connection with the separate state agreements. We are also obligated to provide $200.0 million towards borrower relief, subject to possible upward adjustments as described below. This obligation for borrower relief will include loan modifications, including principal reductions, rate modifications, and refinancing for borrowers that meet certain requirements, and participation in certain other programs. Generally, if certain basic criteria are met, borrowers that are either delinquent or at imminent risk of default and owe more on their mortgages than their homes are worth could be eligible for principle reductions, and borrowers that are current on their mortgages but who owe more on their mortgage than their homes are worth could be eligible for refinancing opportunities. Further, we have agreed to solicit borrowers that are eligible for rate and principal modifications as of March 1, 2012. We are committed to provide loan modifications to all borrowers who accept a modification offer within three months of the solicitation. We have also agreed to provide loan modifications to borrowers who accept a modification offer within six months of the solicitation, unless and until total borrower relief provided exceeds $250.0 million. As of March 31, 2012, no loan modifications have been completed. However, we are currently in the process of soliciting eligible borrowers and expect modifications to begin in the second quarter of 2012.

The Settlement provides incentives for borrower relief that is provided within the first twelve months, and all obligations must be met within three years from the date the consent judgment is filed. In addition to the foregoing, we will be required to implement new servicing standards relating to matters such as foreclosure and bankruptcy information and documentation, oversight, loss mitigation, limitations on fees, and related procedural matters. Compliance with these obligations will be overseen by an independent monitor, who will have authority to impose additional penalties and fines if we fail to meet established timelines or fail to implement required servicing standards.

The Settlement generally resolves potential claims arising out of origination and servicing activities and foreclosure matters, subject to certain exceptions. The Settlement does not prevent state and federal authorities from pursuing criminal enforcement actions, securities-related claims (including actions related to securitization activities and Mortgage Electronic Registration Systems, or MERS), loan origination claims, claims brought by the FDIC, and certain other matters. The Settlement also does not prevent claims that may be brought by individual borrowers.

Federal Reserve Board Civil Money Penalty

On February 9, 2012, Ally Inc. and ResCap agreed with the Board of Governors of the Federal Reserve (FRB) on a civil money penalty (CMP) of $207.0 million related to the same activities that were the subject of the Settlement. This amount will be reduced dollar-for-dollar in connection with certain aspects of our satisfaction of the required monetary payment and borrower relief obligations included within the Settlement, as well as our participation in other similar programs that may be approved by the FRB. While additional future cash payments related to the CMP are possible if we are unable to satisfy the borrower relief requirements of the Settlement within two years, we currently expect that the full amount of the CMP will be satisfied through our commitments in connection with the Settlement.

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Other Mortgage Foreclosure Matters

Consent Order

As a result of an examination conducted by the FRB and FDIC, on April 13, 2011 we entered into a Consent Order (the Consent Order) with the FRB and the FDIC. The Consent Order requires that we make improvements to various aspects of our residential mortgage loan-servicing business, including compliance programs, internal audit, communications with borrowers, vendor management, management information systems, employee training, and oversight by our Board of Directors.

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

Loan Repurchases and Obligations Related to Loan Sales

Overview

We sell loans that take the form of securitizations guaranteed by the GSEs, securitizations sold to private investors, and to whole–loan investors. In connection with a portion of our private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurers are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require us to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See *Government-sponsored Enterprises* below. We assume all of the customary representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs.

Originations

The total exposure to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk–mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on purchasing prime conforming and government–insured mortgages. In addition, we ceased offering interest–only jumbo mortgages in 2010. Representation and warranty risk mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), and seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

Demand/Claim Process

After receiving a claim under representation and warranty obligations, we review the claim to determine the appropriate response (e.g. appeal, and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loans life cycle. Representation and warranty claims are generally reviewed on a loan–by–loan basis to validate if there has been a breach requiring

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Residential Capital, LLC

a potential repurchase or indemnification payment. We actively contest claims to the extent they are not considered valid. We are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification, and the associated credit exposure, is managed through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, we bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table includes amounts paid to investors and monolines with respect to representation and warranty obligations.

Three months ended March 31, ($ in thousands)	**2012**	2011
Loan repurchases (UPB)		
GSEs	**$19,005**	$43,582
Private-label securitizations insured (monolines)	**4,038**	14
Private-label securitizations uninsured	—	—
Whole-loan investors	**2,468**	4,642
Total	**$25,511**	$48,238
Indemnifications (make wholes) by investor		
GSEs	**$20,971**	$15,517
Private-label securitizations insured (monolines)	—	1,835
Private-label securitizations uninsured	—	—
Whole-loan investors	**6,402**	24
Total	**$27,373**	$17,376

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims and/or repurchase demands). The table includes demands that we have requested be rescinded but which have not yet been agreed to by the investor.

	March 31, 2012		December 31, 2011 (a)	
($ in millions)	**Number of loans**	**Original UPB of loans**	Number of loans	Original UPB of loans
Unresolved repurchase demands previously received				
GSEs	**457**	**$89**	357	$71
Insured private-lable securitizations				
MBIA Insurance Corporation	**7,314**	**491**	7,314	490
Financial Guaranty Insurance Company	**4,826**	**382**	4,608	369
Other	**937**	**70**	730	58
Uninsured private-lable securitizations	**294**	**78**	38	7
Whole Loan Investors	**561**	**85**	475	74
Total unpaid principal balance	**14,389**	**$1,195**	13,522	$1,069

(a) Excludes $59.0 million of original UPB on loans where counterparties have requested additional documentation as part of individual loan file reviews.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain representation and warranty matters related to certain of our private-label securitizations. Historically we have requested that most of the demands be rescinded, consistent with the claim/demand process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Liability for Representation and Warranty Obligations

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime loss. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in other liabilities and recorded as a component of gain on mortgage loans, net. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as representation and warranty expense, net. At March 31, 2012, the liability relates primarily to non–GSE exposure.

The following table summarizes the changes in our liability for representation and warranty obligations.

($ in thousands)	**2012**	2011
Balance at January 1,	**$824,776**	$830,021
Provision for representation and warranty obligations		
Loan sales	**4,410**	5,895
Change in estimate	**19,459**	26,000
Total additions	**23,869**	31,895
Realized losses (a)	**(42,181)**	(33,692)
Recoveries	**4,341**	2,063
Balance at March 31,	**$810,805**	$830,287

(a) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with investors.

Government–sponsored Entities

Between 2004 and 2012, we sold $441.0 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loans sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government insured loans were securitized with Ginnie Mae. Our representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. We consider our experiences with the GSEs in evaluating our liability.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect our GSE exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

($ in millions)	**2012**	2011 (a)
Balance at January 1,	**$71**	$170
New claims	**128**	102
Resolved claims (b)	**(60)**	(133)
Rescinded claims/other	**(50)**	(41)
Balance at March 31,	**$89**	$98

(a) Excludes $22.0 million of original UPB on loans where counterparties have requested additional documentation as part of individual loan file reviews.

(b) Includes settlements, repurchased loans and claims under which indemnification payments are made.

We have settled our repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release any of our obligations with respect to exposure for private-label MBS in which Freddie Mac had previously invested, loans where our affiliate, Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, we continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) "non-loan-level" representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required us or our subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay any net loss we suffered on any later liquidation of that mortgage loan.

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

We have settled our repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release any of our obligations with respect to loans where our affiliate, Ally Bank, is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, we continue to be responsible for other contractual obligations we have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and we continue to be obligated to indemnify Fannie Mae for litigation or third party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. These other specified categories include, among others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our private–label securitization activities are less rigorous than those provided to the GSEs and generally impose higher burdens on investors seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally are required to coordinate with other investors in that class comprising no less than 25% and in some cases 50% of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, we have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that we repurchase loans or make the investor whole for losses incurred if it is determined that we violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interest of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute as a matter of law is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured Private-label Securitizations (Monoline)

Historically, we have securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, we sold $42.7 billion of loans into these monoline–wrapped securitizations.

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We are currently in litigation with MBIA and FGIC in connection with our representation and warranty obligations, and additional litigation with other monolines is likely.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect our Monoline exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

($ in millions)	**2012**	2011 (a)
Balance at January 1,	**$917**	$661
New claims (b)	**28**	14
Resolved claims (c)	**(2)**	(8)
Rescinded claims/other	**—**	
Balance at March 31,	**$943**	$667

(a) Excludes $9.0 million of original UPB on loans where counterparties have requested additional documentation as part of individual loan file reviews.
(b) Substantially all relate to claims associated with the 2004 through 2007 vintages.
(c) Includes settlements, repurchased loans and claims under which indemnification payments are made.

Uninsured Private–label Securitizations

Historically, we securitized loans where all or some of the related bonds were uninsured. We are required to make customary representations and warranties about the loans to the investors and/or securitization trust. Typically, any alleged breach of representations and warranties requires the holder of the security to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, we sold $182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. These claims were historically included within the 'Whole loan/other' category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one of our uninsured private-label securitizations for loans originated in 2006 with an original unpaid principal balance $70.0 million. This unpaid principal balance is not representative of expected future losses.

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our uninsured PLS exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, *($ in millions)*	**2012**	2011 (a)
Balance at January 1,	**$8**	$3
New claims	**75**	3
Resolved claims (b)	**(4)**	—
Rescinded claims/other	**(1)**	
Balance at March 31,	**$78**	$6

(a) Excludes $4.0 million of original UPB on loans where counterparties have requested additional documentation as part of individual loan file reviews.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Whole–loan Sales

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our whole-loan exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

($ in millions)	**2012**	2011 (a)
Balance at January 1,	**$73**	$85
New claims (b)	**22**	13
Resolved claims (c)	**(6)**	(7)
Rescinded claims/other	**(4)**	(24)
Balance at March 31,	**$85**	$67

(a) Excludes $25.0 million of original UPB on loans where counterparties have requested additional documentation as part of individual loan file reviews.
(b) Includes $21.9 million and $13.0 million in new claims associated with the 2004 through 2007 vintages in 2012 and 2011, respectively.
(c) Includes settlements, repurchased loans and claims under which indemnification payments are made.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, we assess the notice and if appropriate, we refute the notice, or if the notice cannot be refuted, we attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, we may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While we make every effort to reinstate the mortgage insurance, we have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, we have approximately $173.4 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are occasionally involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. We recorded a liability for probable legal claims of $99.6 million and $94.5 million at March 31, 2012 and December 31, 2011, respectively.

FGIC Litigation

On November 29, 2011, FGIC filed three complaints against ResCap in New York County Supreme Court. In two of these cases, both entitled Financial Guaranty Insurance Company v. RFC et al., FGIC alleges that defendants breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that the defendants breached their contractual obligations to permit access to loan files and certain books and records.

In the third case, entitled Financial Guaranty Insurance Company v. GMAC Mortgage LLC, et al., FGIC makes similar contract allegations against GMAC Mortgage and ResCap, as well as a claim against GMAC Mortgage for fraudulent inducement. In addition, FGIC alleges aiding and abetting fraudulent inducement against Ally Bank, which originated a large portion of the loans in the disputed pool, and breach of the custodial agreement for failing to notify FGIC of the claimed breaches of representations and warranties. In each of these cases, FGIC seeks, among other relief, reimbursement of all sums it paid under the various policies and an award of legal, rescissory, equitable, and punitive damages.

On December 15, 2011, FGIC filed a fourth complaint in New York County Supreme Court related to insurance policies issued in connection with a RFC-sponsored transaction. This complaint, entitled Financial Guaranty Insurance Company v. Ally Financial, Inc., et al., names RFC and ResCap, and seeks various forms of declaratory and monetary relief. The complaint alleges that the defendants are alter egos of one another, fraudulently induced FGIC's agreement to provide insurance by misrepresenting the nature of RFC's business practices and the credit quality and characteristics of the underlying loans, and have now materially breached their agreement with FGIC by refusing its requests for information and documents.

On December 27, 2011, FGIC filed three additional complaints in New York County Supreme Court against ResCap and RFC. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same.

Since January 1, 2012, FGIC has filed five new complaints in federal court naming some combination of Ally Inc., ResCap, Ally Bank, RFC, and GMAC Mortgage. The five complaints were filed on January 31, 2012, March 5, 2012, March 6, 2012, March 12, 2012 and March 13, 2012, respectively. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same. In addition, FGIC amended its first-filed complaint to name Ally Inc. as a defendant.

All of the FGIC cases are now venued in the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each such case.

Notes to Condensed Consolidated Financial Statements

Residential Capital, LLC

Mitchell Litigation

In this statewide class action, plaintiffs alleged that Mortgage Capital Resources, Inc. (MCR) violated the Missouri Second Mortgage Loan Act by charging Missouri borrowers fees and interest not permitted by the Act. RFC and Homecomings, among others, were named as defendants in their role as assignees of certain of the MCR loans. Following a trial concluded in January 2008, the jury returned verdicts against all defendants, including an award against RFC and Homecomings for $4.0 million in compensatory damages (plus pre- and post-judgment interest and attorneys' fees) and against RFC for $92.0 million in punitive damages. In a November 2010 decision, the Missouri Court of Appeals affirmed the compensatory damages but ordered a new trial on punitive damages. Upon remand, we paid $12.8 million in compensatory damages (including interest and attorneys' fees). At the end of February 2012, RFC entered into an agreement in principle to settle all of plaintiffs' remaining claims, including plaintiffs' already-awarded attorneys' fees on appeal, for a total of $17.3 million. The agreement was preliminarily approved on April 16, 2012. The hearing on final approval is scheduled for May 18, 2012.

Private–label Securitizations – Other Potential Repurchase Obligations

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

Private-label Securities Litigation

We and certain of our subsidiaries have been named as defendants in several cases relating to our various roles in MBS offerings. The plaintiffs generally allege that the defendants made misstatements and omissions in registration statements, prospectuses, prospectus supplements, and other documents related to the MBS offerings. The alleged misstatements and omissions typically concern underwriting standards for residential mortgage loans. Plaintiffs generally claim that such misstatements and omissions constitute violations of state and/or federal securities law and common law including negligent misrepresentation and fraud. Plaintiffs seek monetary damages and rescission. Set forth below are descriptions of the most significant of these legal proceedings.

Regulatory

Our origination, purchase, sale, securitization and servicing business activities expose us to risks of noncompliance with extensive federal, state, local and foreign laws, rules and regulations. Our business activities are also governed by, among other contracts, primary and master servicing agreements that contain covenants and restrictions regarding the performance of our servicing activities. Our failure to comply with these laws, rules, regulations and contracts can lead to, among other things, loss of licenses and approvals, an inability to sell or securitize loans, demands for indemnification or loan repurchases from purchasers of loans, demands for indemnification or other compensation from investors in our securitizations, fines, penalties, litigation, including class action lawsuits, and governmental investigations and enforcement actions, including, in the case of some violations of law, possible criminal liability.

GMAC Financiera, our wholly-owned subsidiary operating in Mexico, incurred losses during the year which reduced its capital stock and its shareholders equity by more than two-thirds. At March 31, 2012, the amount of the deficiency is $71.4 million. Until this deficiency is cured, GMAC Financiera falls within one of the causes for dissolution under Mexican law.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the item becomes probable and the costs can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

17. Related Party Transactions

Balance Sheet

A summary of the balance sheet effect of our transactions with Ally Inc., Ally Bank, and other affiliates were as follows.

($ in thousands)	**March 31, 2012**	December 31, 2011
Assets		
Mortgage loans held–for–sale — purchased from Ally Bank	**$23,624**	$13,518
Mortgage loans held-for-sale — contributions from Ally Inc. (carry value) (a)	**620,611**	645,357
Other Assets		
Restricted cash deposits — Ally Bank	**81,879**	112,458
Derivative collateral placed with Ally IM	**1,079,022**	1,008,262
Fair value of derivative instruments		
MSR swap — Ally Bank	**29,442**	17,681
Receivable (Payable), net — Ally Bank	**20,785**	(21,001)
Receivable from other affiliates	**2,125**	2,046
Liabilities		
Borrowings — Ally Inc. Senior Secured Credit Facility (b)	**$751,849**	$757,767
Borrowings — Ally Inc. LOC (b)	**430,696**	185,064
Borrowings — BMMZ Repo (b)	**250,416**	250,351
Other Liabilities		
Liability for loans sold with recourse — Ally Bank (c)	**5,976**	6,773
Fair value of derivative instruments		
Forward flow agreement — Ally Bank	**27,105**	(16,423)
Ally IM (d)	**954,824**	1,049,420
Payable to Ally Inc. (e)	**4,194**	31,019
Other activity		
Loans (UPB) sub-serviced — Ally Bank	**$140,799,853**	$143,172,634
Servicing escrow/deposits for off-balance sheet loans — Ally Bank	**2,273,975**	2,003,745
Home Equity Loans (UPB) subject to indemnifications — Ally Bank (c)	**56,571**	58,512
Income tax (receipt) payment — Ally Inc. (f)	**(4,550)**	37,498

(a) Amount represents the carrying value of the loans contributed from Ally Inc. in 2009. The UPB of these loans is $1.5 billion and $1.6 billion at March 31, 2012 and December 31, 2011, respectively.

(b) Includes principal balance of debt outstanding plus accrued interest.

(c) Relates to an indemnification agreement with respect to a portfolio of second lien home equity loans with an original UPB of $166.0 million. This agreement expired in April 2012.

(d) Includes the fair value of forwards, TBAs and swaptions executed in connection with hedging of our mortgage loans held–for–sale, retained interests and MSRs. Also includes the fair value of hedges related to our foreign currency exposure. See Note 14 — Derivative Instruments and Hedging Activities for additional information.

(e) Includes costs for personnel, information technology, communications, corporate marketing, procurement and services related to facilities incurred by Ally Inc. and allocated to us.

(f) See Note 12 - Income taxes for additional information.

Notes to Condensed Consolidated Financial Statements
Residential Capital, LLC

Statement of Comprehensive Income

A summary of the income statement effect of our transactions with Ally Inc., Ally Bank and other affiliates were as follows.

Three months ended March 31, *($ in thousands)*	**2012**	2011
Net financing revenue		
Interest income on cash deposits — Ally Bank	**$221**	$290
Interest expense — Ally Inc. Senior Secured Credit Facility	**5,746**	6,234
Interest expense — Ally Inc. LOC	**2,223**	4,177
Interest expense BMMZ Repo	**3,169**	
Interest expense — Ally Bank	**385**	—
Other revenue		
(Loss) gain on mortgage loans, net — derivative instruments with Ally IM	**(58,889)**	56,980
(Loss) gain on mortgage loans, net — Ally Bank	**(87,339)**	134,468
Gain on mortgage loans, net — Ally Securities, LLC (c)	**—**	4,501
Servicing fees — Ally Bank	**11,767**	7,614
Servicing assets valuation and hedge activities, net — derivative instruments with Ally IM	**(32,246)**	(174,499)
Servicing assets valuation and hedge activities, net — derivative instruments with Ally Bank	**96,424**	216,048
Loan brokerage fees Ally Bank (a)	**23,343**	9,496
Provision expense — Ally Bank (b)	**(8)**	860
Noninterest expense		
(Loss) on foreign currency — derivative instruments with Ally Inc.	**(7,330)**	(169)
Management fees — Ally Inc.	**29,558**	16,915
Custodial fees — Ally Bank	**1,985**	1,846
Allocated expenses — Ally Bank	**72**	125
Other activity		
Loans purchased (UPB) under the MMLPSA — Ally Bank (d)	**$10,137,301**	$14,640,058
Loans sold (UPB) under the MMLPSA — Ally Bank	**43,052**	7,543

(a) Under the terms of a broker agreement with Ally Bank, we provide loan processing services to support Ally's loan origination and purchase activities as well as loan closing services.

(b) Relates to provision expenses associated with the indemnification agreement with respect to a portfolio of second lien home equity loans. This agreement expired in April 2012.

(c) Relates to mortgage and asset-backed securities brokered to Ally Securities, LLC for underwriting, distribution and capital markets liquidity services.

(d) Includes repurchased loans of $0.6 million and $4.2 million as of March 31, 2012 and 2011, respectively.

Statement of Changes in Equity

A summary of the changes to the statement of equity related to our transactions with Ally Inc., Ally Bank and other affiliates were as follows.

Three months ended March 31, *($ in thousands)*	**2012**	2011
Equity		
Capital contributions — Ally Inc. (a)	**$196,500**	$109,405

(a) Represents capital contributions from Ally Inc. through the forgiveness of Ally Inc. LOC borrowings.

Other Significant Affiliate Agreements

We are party to an ISDA 2002 Master Agreement with Ally IM, a subsidiary of Ally Inc., whereby we enter into foreign exchange and interest rate hedging transactions (the ISDA Agreement) and a Master Securities Forward Transaction Agreement (the Forward Agreement and with the ISDA Agreement, the Derivative Agreements) whereby we agree to sell certain mortgage-backed securities to Ally IM from time to time on a forward basis. We also entered into a Guarantee and Master Netting Agreement with Ally IM whereby the parties agreed to aggregate, net, and set off the Derivative Agreements and the Ally Inc. LOC. In connection with the Derivative Agreements, we cross-collateralize the respective obligations and have granted a security interest to Ally IM in any cash or other property posted, or required to be posted, as collateral by us. We expect to transact virtually all of our hedging transactions with Ally IM in the future.

On December 5, 2011, we entered into an agreement with Ally Inc. and GMAC Mortgage Group (the Agreement), whereby we agreed to certain terms and conditions in respect of ongoing loan sales by Ally Bank to us under the terms of our Master Mortgage Loan Purchase and Sale Agreement (MMLPSA) with Ally Bank. In accordance with the Agreement, we have instructed the GSEs to deliver, free and clear of all liens and encumbrances, mortgage-backed securities received from the GSEs in connection with our loan sales to them (New MBS) directly upon issuance into an account of Ally IM for the benefit of Ally Bank and GMAC Mortgage Group. We have granted Ally Bank and GMAC Mortgage Group security interests in loans purchased from Ally Bank and all proceeds from the sale of the New MBS. All proceeds from the sale of the New MBS are paid without setoff, recoupment or other reduction by Ally IM directly to Ally Bank. Ally Bank remits to us proceeds, if any, in excess of the purchase price of loans sold to us under the MMLPSA, and we remit to Ally Bank the amount of any shortfall in such proceeds necessary to pay the purchase price of the loans. On April 25, 2012, we entered into a Pledge and Security Agreement among ResCap, GMAC Mortgage, Ally Inc., GMAC Mortgage Group, Ally Bank and Ally IM (the Pipeline Security Agreement) in connection with these conditions. See *Transactions with Ally Bank*, below, for additional information regarding the MMLPSA agreements.

Transactions with Ally Bank

Under the terms of our Broker Agreement with Ally Bank, we act in a broker capacity and provide loan processing services to Ally Bank to support its origination and purchase of loans, as well as loan closing services. The Broker Agreement has no mandatory expiration date and can be terminated by either party with 30 days notice. Under the terms of the Broker Agreement, loans meeting the underwriting standards of Ally Bank are originated (funded) by Ally Bank, while loans not meeting those standards may be originated by us and sold directly into the secondary market. We also provide certain representations and warranties and indemnifications to Ally Bank with respect to brokered loans. The Broker Agreement was amended April 30, 2012 and is effective May 1, 2o12.

Under the terms of the MMLPSA with Ally Bank, we purchase first- and second-lien mortgage loans held-for-sale from Ally Bank. We sell and deliver such mortgage loans into the secondary market primarily through Fannie Mae and Freddie Mac securitizations and Ginnie Mae insured securitizations. The MMLPSA has no mandatory expiration date and can be terminated on 30 days notice by Ally Bank or immediately if agreed by both parties. Under the MMLPSA, we purchase loans from Ally Bank and recognize gains or losses on the sale of mortgage loans as they are sold by us into the secondary market. Loans purchased by us pursuant to the MMLPSA include mortgage loans originated by third parties and purchased by Ally Bank (correspondent lending); loans originated directly by Ally Bank; and mortgage loans originated by us and sold to Ally Bank pursuant to a loan sale agreement (the Client Agreement). Effective May 1, 2012, the MMLPSA and Client Agreement were amended and restated. Under the terms of the New MMLPSA, effective May 2012, we have an obligation to purchase all FHA and VA Ginnie Mae insurable loans originated or purchased by Ally Bank. We will no longer purchase Fannie Mae and Freddie Mac eligible loans that Ally Bank originates or purchases. Loans purchased under the New MMLPSA are on a nonrecourse, service released basis. To the extent any loan purchased by us under the new MMLPSA is determined to be ineligible or uninsurable for purposes of Ginnie Mae certification, Ally Bank will cure the defect, if curable, or repurchase the loan at the current unpaid principal balance plus accrued interest.

We were counterparty to a forward flow agreement for mortgage loans held-for-sale and interest rate lock commitments held by Ally Bank that ultimately were sold to us under the MMLPSA. The forward flow agreement transferred the exposure to changes in fair value of Ally Bank's mortgage loans held-for-sale and interest rate lock commitments to us. We hedged our exposure to the forward flow agreement consistent with the hedging of our own mortgage loans held-for-sale and interest rate lock commitments. The forward flow agreement was terminated effective April 30, 2012.

We were counterparty to a MSR Total Return Swap (the MSR Swap) which transferred the total economic return of MSRs owned by Ally Bank to us in exchange for a variable payment based upon a fixed spread to LIBOR. The fixed spread to LIBOR is periodically evaluated against available market data. We hedged our exposure to the MSR Swap consistent with the hedging of our own MSRs. The MSR Swap was terminated effective April 30, 2012.

We were party to an ISDA 2002 Master Agreement with Ally Bank governing the forward flow agreement and MSR Swap. We also entered into an Agreement to Set Off Obligations (the Netting Agreement) which provided Ally Bank the right, but not the obligation, to set off any obligation that we had to Ally Bank against any obligation of Ally Bank to us. The ISDA 2002 Master Agreement and the Netting Agreement were terminated effective April 30, 2012.

Under the GSE servicer guides, the seller and servicer of mortgage loans equally share in customary representation and warranty obligations. We assume all of the representation and warranty obligations for loans we purchased from Ally Bank under the MMLPSA that we subsequently sell through an Agency securitization or otherwise sell into the secondary market. To the extent these loans were originated by third parties and purchased by Ally Bank and subsequently sold to us under the MMLPSA we pursue recovery of losses from the third parties under breach of customary representation and warranties. Pursuant to the Client Agreement, we also provide certain representations and warranties and indemnifications to Ally Bank with respect to those loan transactions. For loans that are not eligible to be sold to the GSEs that reach certain delinquency thresholds or which are otherwise in breach of sale representations and warranties contained in the Client Agreement, we repurchase loans from Ally Bank at their carrying cost.

GMAC Mortgage is designated as subservicer for loans held by Ally Bank and loans sold to us under the MMLPSA where Ally Bank retained the servicing rights (Servicing Agreement). Under the Servicing Agreement, GMAC Mortgage performs all customary mortgage loan servicing activities, including but not limited to, collection of borrower remittances, loss mitigation and foreclosure processing activities. The term of the Servicing Agreement automatically renews for a one year term on an annual basis, unless notice of termination is provided by either party with 120 days prior notice. We receive subservice fees which are generally based on the average daily balance of subserviced loans which differ by loan type and delinquency status.

In the first quarter of 2008, Ally Bank purchased a portfolio of second-lien home equity loans from us. We provided an indemnification to Ally Bank whereby we reimburse Ally Bank at such time as any of the loans covered by this agreement are charged off, typically when the loan becomes 180 days delinquent. The indemnification expired in April 2012.

In connection with our Settlement obligations Ally Bank has agreed to participate in borrower relief programs and activities with respect to their loan portfolios. We have recorded a liability of $83.5 million at March 31, 2012, in connection with losses Ally Bank is expected to incur in connection with the programs. To the extent activities under the borrower relief programs are consistent with activities currently permitted under our sub-servicing agreement, Ally Bank will not seek to be reimbursed or indemnified for any losses it incurs in connection with these borrower relief activities. See Note 16 – Contingencies and Other Risks for additional information related to the Settlement.

18. Regulatory Matters

Certain subsidiaries associated with our mortgage and real estate operations are required to maintain regulatory net worth requirements. See Note 8 — Borrowings for additional information. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. These entities were in compliance with these requirements as of March 31, 2012.

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. As of March 31, 2012, compliance with these various regulations has not had a material adverse effect on our financial condition, results of operations or cash flows.

19. Subsequent Events

Events subsequent to March 31, 2012, were evaluated through May 1, 2012, the date on which these Condensed Consolidated Financial Statements were issued.

Residential Capital, LLC
Report on First Quarter Review

Audit Committee Meeting

May 1, 2012

This document is intended solely for the information and internal use of Residential Capital, LLC and is not intended to be and should not be distributed to any other parties.

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Table of Contents

As used in this document, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Status of First Quarter Review

As of April 30 (the mailing date of this report), our review of Residential Capital, LLC's ("ResCap" or the Company") condensed consolidated interim financial statements for the period ended March 31, 2012 is substantially complete.

The most significant items that remain open as of April 30 are:

- Final review of the interim financial statements
- Inquiries of Management regarding subsequent events and strategic alternatives
- Receipt of Management's signed representation letter
- Receipt of our signed engagement letter

This document provides a summary of our status as of April 30. Matters discussed may change due to further analysis by Deloitte and Management, or additional matters may arise during the completion of our review procedures and through the date on which the financial statements are made available to the Company's bondholders. We will inform the Audit Committee of any significant matters that arise prior to the delivery of our review report.

Review Results

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In accordance with standards established by the American Institute of Certified Public Accountants (AICPA), we have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which Management of ResCap is responsible.

Matters to be Communicated	Results
Our responsibility under the standards of the AICPA	Our responsibility under the standards of the AICPA with respect to a review of interim financial information has been described to you in our engagement letter dated April 20, 2012. As described in that letter, the objective of a review of interim financial information performed in accordance with interim review standards is to provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"). Based on the results of our review procedures to date, we are not aware of any material modifications that should be made to the Company's interim financial statements or disclosures for them to be in conformity with generally accepted accounting standards. Appendix A contains a draft of the interim review report we expect to issue.

Review Results (cont.)

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Matters to be Communicated	Results
Selected critical accounting estimates and other matters	We have comments on the following areas that Management has identified as critical accounting estimates, as well as other matters: **Mortgage Servicing Rights (MSRs)** The MSR asset value increased from $1.23 billion at December 31, 2011 to $1.25 billion at March 31, 2012. New production during the period resulted in a corresponding increase in the value of the asset. Changes in assumptions and other changes in fair value during the period did not have a material impact on the value of the MSR asset. Based on inquiries of Management and review of documentation, including MSR roll-forward schedules and Management's quarterly benchmarking presentation, we noted no significant changes to the methodology or process for developing assumptions used to estimate the MSR value. In addition, we have made inquiries of internal mortgage valuation specialists regarding their observations of market activity.

Review Results (cont.)

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Matters to be Communicated	Results
Selected critical accounting estimates and other matters	Representation and Warranty Reserves The balance of the representation and warranty reserve decreased from $825 million at December 31, 2011 to $811 million at March 31, 2012. Representation and warranty expense was $19 million for the three-months ended March 31, 2012, compared to $26 million for the three-months ended March 31, 2011. Management's process for determining the reserve takes into account historic and recent demand trends, interactions with the monolines, private-label investors, and other parties, and various other assumptions. During the quarter, the Company received a demand request from a private-label trustee/investor, which was considered by Management in the determination of the reserve. Actual losses may differ significantly from the amounts recorded, based on the behavior of the counterparties in the future, including potential settlements, and industry, legal, and other developments. Based on our inquiries of management and review of documentation, no significant changes to the methodology for determining the reserve were made during the quarter. Management has determined that reasonably possible losses over time related to litigation matters and potential repurchase obligations and related claims could be between zero and $4 billion over existing accruals.

Review Results (cont.)

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Matters to be Communicated	Results
Selected critical accounting estimates and other matters	**Litigation** As disclosed in Note 16 to the financial statements, the Company is subject to potential liability under various governmental proceedings, claims and legal actions that are pending or otherwise asserted. Management establishes reserves for such claims as they become probable and are reasonably estimable. During Q1 2012, the Company updated its estimate of probable loss associated with settlements reached with the federal government and various state attorneys generals which resulted in no significant change to management's estimate of loss. Management has determined that reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims could be between zero and $4 billion over existing accruals.
Transactions with affiliates	**Parent Company Debt Forgiveness and Amendments to Affiliate Agreements** During the quarter, Ally Financial Inc. contributed $196.5 million to ResCap through forgiveness of indebtedness. As disclosed in the Notes to the financial statements, the Company has or is in the process of amending/terminating certain affiliate agreements.

Review Results (cont.)

Matters to be Communicated	Results
Selected critical accounting estimates and other matters	**Accounting for Income Taxes** At March 31, 2012, the Company's deferred tax asset was largely offset by a valuation allowance. Management has determined that the valuation allowance remains necessary, as the Company has not yet demonstrated the ability to generate taxable ordinary income or capital gains for a sustained period. There were no existing valuation allowances reversed or new valuation allowances recorded this quarter. We performed analytical review procedures on income tax related accounts and also reviewed the Company's schedules supporting the tax provision and related disclosures. Based on our inquiries of Management and review of documentation, no significant changes to the methodology for accounting for income taxes were made during the quarter.

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Review Results (cont.)

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Matters to be Communicated	Results
Significant accounting policies	No accounting policies with a material impact were adopted in the quarter ended March 31, 2012, other than those matters disclosed in the notes to the condensed consolidated interim financial statements.
Going Concern	Having taken ResCap's financial condition and other factors into consideration, Management has concluded and disclosed in the interim financial statements, that there remains substantial doubt about the Company's ability to continue as a going concern. Management has enhanced its disclosure regarding the Company's ability to continue as a going concern and has disclosed that is determining whether it would be in the best interests of its creditors and other stakeholders to file for protection under the federal bankruptcy laws.
Control Related Matters - Significant deficiencies or material weaknesses relating to internal control	Management has separately reported the status of significant deficiencies to you.
Communication of the auditors' internal quality control procedures	We reported such information to you at your meetings on April 3 and April 24, 2012.

Review Results (cont.)

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Matters to be Communicated	Results
Audit adjustments, either individually or in the aggregate, that we believe could have a significant effect on the Company's financial reporting and disclosure process	Our review was performed to provide limited assurance on the interim financial statements and not to form an opinion about whether the financial statements are free of material misstatement, whether caused by error or fraud. We have been provided with the Company's Preliminary Materiality Analysis as of, and for the period ended, March 31, 2012, which includes matters identified during our review. We have compared Management's analysis to our own and agree with their conclusions.
Disagreements with Management about matters that could be significant to the entity's financial statements or our audit reports	Nothing to report.
Alternative treatments in U.S. GAAP for accounting policies and practices related to material items that have been discussed with Management	We had no discussions with Management regarding alternative accounting treatments within U.S. GAAP for policies and practices related to material items, including recognition, measurement, and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, related to the quarter ended March 31, 2012.

Appendix A
Draft of Interim Review Report

RESCAP

To the Board of Directors of Residential Capital, LLC:

We have reviewed the condensed consolidated balance sheet of Residential Capital, LLC (the "Company") (a wholly-owned subsidiary of Ally Financial Inc.) as of March 31, 2012, and the related condensed consolidated statements of comprehensive income, changes in equity, and of cash flows for the three-month periods ended March 31, 2012 and March 31, 2011. This condensed financial information is the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants for reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying condensed consolidated interim financial information has been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the condensed consolidated interim financial information, there remains substantial doubt about the Company's ability to continue as a going concern. Management's plans concerning this matter are also discussed in Note 1 to the condensed consolidated interim financial information.

We have previously audited, in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States), and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2011, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended (not presented herein); and in our report dated March 28, 2012, we expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs that stated (1) that the Company has entered into a number of significant agreements and transactions with its affiliates and (2) that the Company's liquidity and capital needs, combined with conditions in the marketplace, raise substantial doubt about its ability to continue as a going concern. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2011 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

This report is intended solely for the information and use of management and the board of directors of the Company and is not intended to be and should not be used by anyone other than these specified parties.

May 1, 2012

Appendix B
Overview of Interim Review Procedures

A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we will not express an opinion on the interim financial information.

The objective of a review of interim financial information performed in accordance with standards established by the AICPA is to provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with accounting principles generally accepted in the United States of America ("generally accepted accounting principles").

A review consists principally of performing analytical procedures and making inquiries of persons responsible for financial and accounting matters, and does not contemplate (a) tests of accounting records through inspection, observation, or confirmation; (b) tests of controls to evaluate their effectiveness; (c) the obtainment of corroborating evidence in response to inquiries; or (d) the performance of certain other procedures ordinarily performed in an audit. A review may bring to our attention significant matters affecting the interim financial information, but it does not provide assurance that we will become aware of all significant matters that would be identified in an audit.

A review also includes obtaining sufficient knowledge of the Company's business and its internal control as it relates to the preparation of both annual and interim financial information to:

- Identify the types of potential material misstatements in the interim financial information and consider the likelihood of their occurrence.
- Select the inquiries and analytical procedures that will provide us with a basis for communicating whether we are aware of any material modifications that should be made to the interim financial information for it to conform with generally accepted accounting principles.

A review is not designed to provide assurance on internal control or to identify significant deficiencies and material weaknesses in internal control.

Appendix C
Summary of Audit Committee Communications

Our formal communications will occur via periodic meetings with the Audit Committee at various stages during the year. In addition to our scheduled meetings, we are also available, at any time, to respond to Audit Committee members' questions. We anticipate the following topics will be discussed during the year:

	2012										2013		
Description of communications	M	A	M	J	J	A	S	O	N	D	J	F	M
Qualifications to serve ResCap		✓											
Status of interim review procedures			✓		❑			❑					
Results of interim review procedures			✓			❑			❑				
Required quarterly Audit Committee communications			✓			❑			❑				
Delivery of the audit service plan					❑								
Review estimated audit and audit related fees		✓											
Review progress of financial statement audit							❑			❑			
Required fraud inquiries							❑						
Review results of financial statement audit												❑	
Review independence of audit firm												❑	
Required annual Audit Committee communications												❑	

✓ Communication completed ❑ Scheduled communication

Deloitte

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May 1, 2012

Deloitte & Touche LLP
200 Renaissance Center, Suite 3900
Detroit, Michigan 48243

We are providing this letter in connection with your review of the condensed consolidated balance sheet of Residential Capital, LLC (the "Company" or "ResCap") as of March 31, 2012, and the related condensed consolidated statements of comprehensive income, changes in equity, and of cash flows for the three-month periods ended March 31, 2012 and March 31, 2011, for the purpose of determining whether any material modifications should be made to the condensed consolidated interim financial statements for them to conform with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or "GAAP").

We confirm that we are responsible for the following:

a. The fair presentation in the condensed consolidated interim financial statements in conformity with GAAP

b. The design, implementation and maintenance of programs and controls to prevent and detect fraud

c. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of May 1, 2012, the following representations made to you during your review.

1. The interim financial statements referred to above have been prepared and presented in conformity with GAAP applicable to condensed consolidated interim financial information for a non-SEC (private) reporting entity.

2. Note 1 to the condensed consolidated financial statements discloses all pertinent facts related to the Company's ability to continue as a going concern.

3. Although management has determined that there is substantial doubt about the Company's ability to continue as a going concern, we have determined that the condensed consolidated financial statements should be prepared on a going concern basis. Management's plans for continuing as a going concern are disclosed in Note 1 to the condensed consolidated financial statements. Management and the Board have not approved a plan of liquidation and nor is liquidation of the Company anticipated. Additionally, Management has not filed for bankruptcy.

4. The Company has made available to you all relevant information and access granted in the

terms of the audit engagement letter including:

a. Financial records and related data

b. Minutes of the meetings of the Board of Directors and Audit Committee; or drafts of minutes in cases where final minutes have not been approved; or agendas and meeting materials of meetings in cases where draft minutes have not yet been prepared

c. Regulatory examination reports, supervisory correspondence or agreements, enforcement actions, and similar materials from applicable regulatory agencies (particularly, communications concerning supervisory actions or noncompliance with, or deficiencies in, rules and regulations). Further, we have advised you of any regulatory examination in progress or completed for which reports have not yet been issued.

5. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices. Further, we have advised you of any regulatory examination in progress or completed for which reports have not yet been issued.

6. We have completed our procedures to evaluate the accuracy and completeness of the disclosures in our interim financial statements. There are no disclosures that while required by GAAP have been omitted from our condensed consolidated interim financial statements.

7. We have disclosed to you any significant change in the results, design, or operation of internal control over financial reporting as it relates to the preparation of the condensed consolidated interim financial information that has occurred during the most-recent fiscal quarter.

8. We have no knowledge of any fraud or suspected fraud affecting the Company involving

a. Management

b. Employees who have significant roles in the Company's internal control over financial reporting.

c. Others where the fraud could have a material effect on the condensed consolidated interim financial statements which has not been previously disclosed.

9. We have disclosed to you our knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, analysts, regulators, or others.

10. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.

11. Significant assumptions used by us with respect to our critical accounting estimates are reasonable.

Except where otherwise stated below, immaterial matters less than $2,500,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

12. There are no transactions that have not been properly recorded in the accounting records underlying the condensed consolidated interim financial information.

13. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

14. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the condensed consolidated interim financial statements:

    a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees or other commitments (written or oral)

    b. Guarantees, whether written or oral, under which the Company is contingently liable.

15. In preparing the condensed consolidated interim financial statements in conformity with GAAP, management uses estimates. All estimates have been disclosed in the condensed consolidated interim financial statements for which known information available prior to the issuance of the condensed consolidated interim financial statements indicates that both of the following criteria are met:

    a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events

    b. The effect of the change would be material to the financial statements.

16. There are no:

    a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the condensed consolidated interim financial statements or as a basis for recording a loss contingency, except as disclosed in Note 16 to the condensed consolidated interim financial statements.

    b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.

17. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, other than as disclosed in the condensed consolidated interim financial statements.

18. Except for the deferral of certain semi-annual interest payments as disclosed in Notes 1 and 8 to the condensed consolidated financial statements, the Company has complied with all aspects of contractual agreements that may have an effect on the condensed consolidated interim financial statements in the event of noncompliance.

Loans and Receivables

19. The Company has properly classified loans on the condensed consolidated interim balance sheets as held-for-sale or held-for-investment, based on the Company's intent with respect to those loans. Specifically, the Company classifies those loans that management has the intent to sell as held-for-sale. Loans for which the Company has the intent and ability to hold for the foreseeable future or until maturity are classified as held-for-investment.

20. All impaired loans receivables have been properly recorded and disclosed in the condensed consolidated interim financial statements.

21. Risks associated with concentrations (including but not limited to those related to high risk mortgage loans), based on information known to management, that meet all of the following criteria have been disclosed in the condensed consolidated interim financial statements:

    a. The concentration exists at the date of the condensed consolidated interim financial statements

    b. The concentration makes the Company vulnerable to the risk of a near-term severe impact

    It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

Capitalized Servicing Rights

22. For transfers of financial assets where the right to service the transferred assets was retained, we have performed the servicing of these assets in accordance with the terms and provisions of the applicable agreement that governs the servicing of these assets.

Transfers and Servicing of Financial Assets and Extinguishment of Liabilities

23. The Company has accounted for all transfers of financial assets in accordance with FASB ASC 860, *Transfers and Servicing*, or previously applicable guidance as appropriate. The Company has taken no actions and no events have occurred that would necessitate a change in the accounting for the transfers of financial assets.

24. Provision has been made for any loss that is probable from representation and warranty obligations associated with the sale of mortgage loans. We believe that such estimate is reasonable based on available information.

Derivative Instruments

25. The Company has properly identified all derivative instruments and any financial instruments that contain embedded derivatives. The Company's hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies, and all appropriate hedge documentation was in place at the inception of the hedge in accordance with FASB ASC 815, *Derivatives and Hedging*.

26. Financial instruments with significant individual or group concentration of credit risk have been properly identified, properly recorded and disclosed in the condensed consolidated interim financial statements.

Taxes

27. The valuation allowance has been determined pursuant to the provisions of FASB ASC 740, *Income Taxes*, including the Company's estimation of future taxable income, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized.

Other Liabilities

28. We are subject to potential liability under laws and government regulations, various claims, and legal actions that are pending or may be asserted against us. We are named as defendants in a number of legal actions and are, from time to time, involved in regulatory proceedings arising in connection with our various businesses. Some of the pending actions purport to be class actions. We establish reserves for litigation and regulatory matters when payments associated with the claims become probable and the costs can be reasonably estimated. The actual costs of resolving these claims may be substantially higher or lower than the amounts reserved for these claims. Provision has been made for all losses that are probable and estimable.

    We have appropriately disclosed all such matters, where the possibility of loss is more than remote, in Note 16 to the condensed consolidated interim financial statements and have accrued our best estimate of the losses to be incurred as a result of these matters as of March 31, 2012 to the extent the loss is probable and estimable. Except as disclosed in Note 16, there are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450, *Contingencies*.

29. We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters and potential repurchase obligations and related claims could occur, and such losses could have a material adverse impact on our results of operations, financial position, or cash flows. We currently estimate that the Company's reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims could be between $0 and $4 billion over existing accruals.

30. A provision has been made by the Company for any loss that is probable and estimable from foreclosure related matters or exposures in accordance with GAAP. We believe that such estimate is reasonable based on available information and that the liabilities, related loss contingencies, and expected outcome of uncertainties have been adequately described in the financial statements.

Other

31. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the condensed consolidated interim financial statements.

32. Agreements (whether written, oral, or implied) to repurchase loans, real estate, or other assets previously sold have been properly disclosed in the condensed consolidated interim financial statements.

33. With regard to the fair value measurements and disclosures of certain assets, liabilities, and specific components of equity, we believe that:

a. The measurement methods, including the related assumptions, used in determining fair value, consistent with market participant assumptions where available without undue cost and effort, were appropriate and consistently applied in accordance with GAAP.

b. The completeness and adequacy of the disclosures related to fair values are in conformity with GAAP. The Company has appropriately classified its assets and liabilities into the appropriate levels (Levels 1, 2 and 3) as described in the condensed consolidated interim financial statements, as prescribed by FASB ASC 820, *Fair Value Measurements and Disclosures*.

c. No events have occurred after March 31, 2012 but before the date of this letter that require adjustment to the fair value measurements and disclosures included in the condensed consolidated interim financial statements.

We have identified the significant assumptions and factors influencing the measurement of fair value as described in the condensed consolidated interim financial statements. The significant assumptions used in measuring fair value, taken individually and as a whole, provide a reasonable basis for the fair value measurements and disclosures in the condensed consolidated financial statements. The assumptions are reflective of management's intent and ability to carry out specific courses of action and the significant assumptions used are consistent with the Company's plans.

The methods and significant assumptions used to determine fair values of financial instruments are disclosed in the condensed consolidated interim financial statements. The descriptions are accurate and complete and the methods and the assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes in accordance with GAAP.

34. We have disclosed to you all changes to affiliate agreements that may have a material impact on the Company.

35. To the best of our knowledge and belief, all events that have occurred subsequent to the balance-sheet date and through the date of this letter have been disclosed in the condensed consolidated interim financial statements.

Thomas F. Marano
Chairman and Chief Executive Officer
Residential Capital, LLC

James M. Whitlinger
Chief Financial Officer
Residential Capital, LLC

Catherine M. Dondzila
Controller and Chief Accounting Officer
Residential Capital, LLC

David J. DeBrunner
Controller and Chief Accounting Officer
Ally Financial, Inc.

ResCap

Executive Session:

i. Management
ii. Deloitte
iii. Audit Director

ResCap Audit Committee Meeting

May 1, 2012

A. 36

From: Devine, Timothy
Sent: Thursday, May 03, 2012 6:49 PM
To: Kathy D. Patrick
Subject: RE: Bi-Weekly Call with Gibbs & Bruns (Dial-In: Dial-In: 1-866-228-9900; Passcode 763234)

Kathy: we don't need the big group call but if you have 10 minutes between 3 and 4 I would like to touch base.

Thanks again.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Thursday, May 03, 2012 2:47 PM
To: Rosten, Linda; Devine, Timothy; David Sheeren; Scott A. Humphries; Hamzehpour, Tammy; Ruckdaschel, John
Subject: RE: Bi-Weekly Call with Gibbs & Bruns (Dial-In: Dial-In: 1-866-228-9900; Passcode 763234)

I assume we are not having this call, since we are talking at 4 Eastern.

-----Original Appointment-----
From: Rosten, Linda [mailto:Linda.Rosten@ally.com]
Sent: Wednesday, March 28, 2012 9:34 AM
To: Devine, Timothy; David Sheeren; Kathy D. Patrick; Scott A. Humphries; Hamzehpour, Tammy; Ruckdaschel, John; Rosten, Linda
Subject: Bi-Weekly Call with Gibbs & Bruns (Dial-In: Dial-In: 1-866-228-9900; Passcode 763234)
When: Thursday, May 03, 2012 2:00 PM-3:00 PM (UTC-06:00) Central Time (US & Canada).
Where:

When: Occurs every 2 weeks on Thursday effective 4/19/2012 from 3:00 PM to 4:00 PM (GMT-05:00) Eastern Time (US & Canada).

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

A. 37

Outlook E-mail

From: Devine, Timothy
Sent: 5/4/2012 11:53:56 AM
To: Lee, Gary S.; Hamzehpour, Tammy
Subject: Re: Kathy Patrick

Our notes match. This is very good new. Thank you very much Gary for terrific work.

From: Lee, Gary S. <GLee@mofo.com>
To: Devine, Timothy; Hamzehpour, Tammy
Sent: Fri May 04 11:50:34 2012
Subject: Kathy Patrick

Tim, following on our calls-meetings with KP, what she proposed today is as follows:

1. Rescap and the KP group will settle all claims (including servicing and contract claims) other than securities claims (which she does not control).

2. The settlement will be effectuated through a motion under Rule 9019 of the Bankruptcy Code (on notice and subject to a hearing). The motion will be filed as early as possible in the Rescap case (possibly on day 1).

3. In exchange, Rescap will give the KP group an allowed claim that will be characterised as a cure payment (ie to cure loan repurchases and service defects).

4. The KP group will enter into a plan support agreement which would support the DIP, sale, sale process, servicing, shared services and plan releases provided that Ally contributes no less than $x in cash.

5. KP also intimated a willingness to do a back-stop deal with Ally in the event the plan fails (ie only a sale occurs and the releases fail). In other words she is willing to agree a deal with Ally even if the third party releases-settlement through a plan fail.

We will work on drafting a settlement agreement and PSA and expect a number of calls-meetings with her and her bankruptcy counsel over the next few days.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

PENGAD 800-631-6989 EXHIBIT 9019-83 11/13/12

A. 38

Outlook E-mail

From: Renzi, Mark
Sent: 5/6/2012 6:44:32 PM
To: Devine, Timothy; Cancelliere, Jeff - PA
Cc: glee@mofo.com; Nolan, William; Ruckdaschel, John
Subject: Re: Help with waterfall before 8 pm if possible

Tim,

Where can I reach you. I am driving to the airport.

Mark

----- Original Message -----
From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 06, 2012 06:31 PM
To: Renzi, Mark; Cancelliere, Jeff - PA
Cc: 'glee@mofo.com' ; Nolan, William; Ruckdaschel, John
Subject: Re: Help with waterfall before 8 pm if possible

Thanks Mark.

Just spoke with KP.

It is ver important for her to have the waterfall numers we give her, as below, reflect the attribution over to GMACM we have discussed.

Can we do that tonight? She will be in much better position to deliver for us if I can give the revised waterfalls, below, to her by bedtime tonight.

She walks into the key meeting at 9 am tomorrow.

Thanks again.

If you can provide the answers in body of email that wd be great as ikm traveling amd on bb.

Tim

----- Original Message -----
From: Renzi, Mark
To: Devine, Timothy; Cancelliere, Jeff - PA
Cc: glee@mofo.com ; Nolan, William
Sent: Sun May 06 18:07:14 2012
Subject: RE: Help with waterfall before 8 pm if possible

We will run it and see if how much of a difference it makes.

Mark A. RENZI
617.897.1528 direct
617.785.0177 mobile

-----Original Message-----
From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 06, 2012 6:05 PM
To: Renzi, Mark; Cancelliere, Jeff - PA
Cc: 'glee@mofo.com'
Subject: Help with waterfall before 8 pm if possible

EXHIBIT
PENGAD 800-631-6989
9019-142
11/19/12

Jeff and Mark:

Assume 750 Ally cash, plus 200 for HFS plus 100 for originations constitute the Ally "cash" contribution to the settlement.

What total $ would flow under the waterfalls to PLS and r/w, all-in, assuming for the moment no $ to any securities/fraud investor plaintiffs and keeping misc GUC at same assumed level we have been assuming?

Assume then that misc GUCs end up at only half the value we have been assuming?

Thanks very much.

Tim

A. 39

Outlook E-mail

From: Devine, Timothy
Sent: 5/6/2012 11:47:54 PM
To: Ruckdaschel, John
Subject: Settlemt agmt. KP

John R will youpls rewview recitals? Thanks. Tim

A. 40

REDACTED

A. 41

From: Kathy D. Patrick
Sent: 5/7/2012 8:57:15 PM
To: Lee, Gary S.; Kathy D. Patrick
Subject: Re: I'm on with client now. Free up at 9.

OK. Just got off with my clients.

Please flag for yours that the number you suggested is a problem. At a defect rate of 22 percent, the stated claim is 10.0 billion. That insulates the settlement substantially from objectors because it is certainly within the realm of reason. I can deliver a deal at 10 bn. Please get your last and best.

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Monday, May 07, 2012 07:40 PM
To: Kathy D. Patrick
Subject: I'm on with client now. Free up at 9.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

A. 42

Outlook E-mail

From: Devine, Timothy
Sent: 5/8/2012 7:24:48 AM
To: Lee, Gary S.; 'rcieri@kirkland.com'; Levitt, Jamie A.; Hamzehpour, Tammy; Ruckdaschel, John
Cc: 'rschrock@kirkland.com'; Solomon, William Legal; Thompson, William - Legal Dept - PA; Delehey, Lauren - PA
Subject: Talcott Franklin

I spoke with Talcott Franklin this morning.

I told him the timing is extremely short and that if he wants to improve the chances of the Plan he should get his clients' consent and sign the draft Settlement Agreement and PSA today.

I told KP last night again that her footprint alone is not big enough and that Talcott Franklin ought to sign on. She was fine with that.

She is also working on Freddie.

Freddie claims that they understood from our meeting with Hart that FHFA/Freddie would have to waive its securities law claims if it were to join in support of the r/w deal. I have reached out to Hart to disabuse him of this misunderstanding.

I expect we'll hear something back from the MBIA folks today. I don't know what to expect from them in particular but I think they understood that the Plan is by far best game in town.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
PENGAD 800-631-6989
9019-86
11/13/12

A. 43

REDACTED

A. 44

Outlook E-mail

From: Renzi, Mark
Sent: 5/8/2012 7:27:30 AM
To: Timothy.Devine@ally.com; Lee, Gary S.; rcieri@kirkland.com
Cc: John.Ruckdaschel@ally.com; Jeff.Cancelliere@gmacrescap.com; rschrock@kirkland.com; Levitt, Jamie A.; William.b.Solomon@ally.com
Subject: Re: Are you available

Is she referring to bond or collateral losses? If we use bond we can get close to the rates she described below - without addressing portfolio composition variances. Jeff?

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Tuesday, May 08, 2012 07:14 AM
To: Lee, Gary S. <GLee@mofo.com>; 'rcieri@kirkland.com' <rcieri@kirkland.com>
Cc: Ruckdaschel, John <John.Ruckdaschel@ally.com>; Cancelliere, Jeff - PA <Jeff.Cancelliere@gmacrescap.com>; 'rschrock@kirkland.com' <rschrock@kirkland.com>; JLevitt@mofo.com <JLevitt@mofo.com>; Renzi, Mark; Solomon, William Legal <William.b.Solomon@ally.com>
Subject: FW: Are you available

Here's KP's version – the BoA settlement was not at 14% but at 36% -- and then haircut to the risk that BoA would not be responsible for Countrywide if the matter was litigated rather than settled.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Tuesday, May 08, 2012 1:19 AM
To: Devine, Timothy
Subject: Re: Are you available

No, that's wrong: the BofA defect rate was over 30%. BofA ARGUED with us that the defect rate was 14%, which is why that is scenario 1 in the spreadsheet that BNY's expert used--but the ACTUAL defect rate we used, and settled on, was 36%. That would be scenario 3 or 4 in our spreadsheet, which is in the BNY expert report, too. I'm at a loss to understand why ResCap and Ally won't just look at the spreadsheet we used in BofA--because the scenarios in it track exactly what I've said. BofA argued for a vastly lower defect rate, which we rejected; they paid based on our much higher defect rate, which we accepted.

Importantly, the 36% defect rate we used for BofA was before litigation discounts, a primary one of which was the risk--which has obtained here--that Countrywide would go into bankruptcy. But for that risk, and the insolvency of Countrywide, the size of the CLAIM that we calculated against BofA was $32 billion. That's why I keep telling you that what we got from them was 25.7 cents on the dollar: the CLAIM size was $32 billion against them, and we settled for $8.5 billion, which is a recovery of 25.7 cents on the dollar based on a defect rate of 36%. Here, we've got a CLAIM size of more than $10 billion on which, as a practical matter, the recovery will be far less due to ResCap's bankruptcy.

Below is the relevant set of comparisons:

EXHIBIT
PENGAD 800-631-6989
9019-144
11/19/12

BofA Original Face: $432 billion ResCap OF: $220 billion

BofA Current Face at Settlement: $163 billion ResCap CF: $63 billion

BofA Claim Size: $32.5 billion	ResCap Claim Size: $10 billion
BofA Defect vs. Losses: 36%	ResCap Defect vs. Losses 22.2%
BofA Settlement: $8.5 billion	ResCap Settlement: whatever is distributed
BofA Settlement vs. Claim Size: 25.7 cents	ResCap Settlement: distrib. amt / $10 billion

That's why the numbers you're giving me don't make any sense, either with regard to our BofA Settlement--because the the numbers you have are just wrong--or by virtue what we know about ResCap. We've analyzed and assessed what we think is ResCap's actual exposure: if we were using the same, 36% defect rate we used with Bank of America, the claim size for ResCap would be well in excess of $18 billion. Instead, we've offered to resolve by agreeing to a claim size of $10 billion.

Thus, the claim size is not just ratably lower based on issuance size, it is actually lower as a result of our analysis of the the ResCap defect rate vs. Countrywide's. ResCap will have problems not just with us but with every investor if you try to suggest that the defect rate is a lot lower than where we've analyzed it: you can't reconcile that with the data, the accrued losses or the allegations in existing and future lawsuits.

Bottom line: you are getting a lower defect rate, but it's a realistic rate based on accurate data and using the same methodology we used before.

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On May 8, 2012, at 12:12 AM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

> I'm getting lots of pressure on valuation now. BoA 8.5 billion represents 14 defect rate, correct? Everything we know about our our product - from origination through pooling through reps and diligence throughg servicing - makes our folks believe we are better (lower) than Countrywide by a large margin. I am being asked to explain how we could agree to a defect rate 150 of Countrywide's.
>
> ----- Original Message -----
> From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
> To: Devine, Timothy; Kathy D. Patrick <kpatrick@gibbsbruns.com>
> Sent: Mon May 07 21:15:14 2012
> Subject: Re: Are you available
>
> Sure. 713 972 4695
>
> Kathy D. Patrick
> Gibbs & Bruns, L.L.P.
>
> ----- Original Message -----
> From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
> Sent: Monday, May 07, 2012 08:10 PM
> To: Kathy D. Patrick
> Subject: Re: Are you available
>
> May I call you in 15 minutes? Sorry.
>
> ----- Original Message -----
> From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
> To: Devine, Timothy
> Sent: Mon May 07 19:57:18 2012
> Subject: Are you available
>
> At 830 Eastern tonight?
> Where can I reach you?
>
> Kathy D. Patrick
> Gibbs & Bruns, L.L.P.

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From: Devine, Timothy
Sent: 5/8/2012 9:06:28 AM
To: Lee, Gary S.; rcieri@kirkland.com; rscrock@kirkland.com
Subject: RE: Are you available

Yes

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Tuesday, May 08, 2012 8:45 AM
To: Devine, Timothy; rcieri@kirkland.com; rscrock@kirkland.com
Subject: RE: Are you available

Tim, are you-k+e talking to davis polk about disclosures.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Tuesday, May 08, 2012 7:57 AM
To: Lee, Gary S.; 'rcieri@kirkland.com'; 'rscrock@kirkland.com'
Subject: Re: Are you available

I'm in NY. I have informed Kirkland of 3 pm key neeting and requested on-site participation.

Gary, Rick and Ray: what happens to 12/31 timeline if we don't get sufficient momentum behind the Plan from r/w or other claimants in that category?

From: Lee, Gary S. <GLee@mofo.com>
To: Devine, Timothy
Sent: Tue May 08 07:50:14 2012
Subject: Re: Are you available

Tim, who at ally side can look at this and compare? Trying to get comfortable with new numbers - boa is helpful but as everyone says "we aint countrywide". Also, must have a k+e person at 3 onwards who can help draft-edit live with us. You in NY?

Gary S. Lee
Morrison & Foerster LLP

1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy
To: Lee, Gary S.; 'rcieri@kirkland.com'
Cc: Ruckdaschel, John ; Cancelliere, Jeff - PA ; 'rschrock@kirkland.com' ; Levitt, Jamie A.; Renzi, Mark ; Solomon, William Legal
Sent: Tue May 08 07:14:36 2012
Subject: FW: Are you available
Here's KP's version – the BoA settlement was not at 14% but at 36% -- and then haircut to the risk that BoA would not be responsible for Countrywide if the matter was litigated rather than settled.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Tuesday, May 08, 2012 1:19 AM
To: Devine, Timothy
Subject: Re: Are you available

No, that's wrong: the BofA defect rate was over 30%. BofA ARGUED with us that the defect rate was 14%, which is why that is scenario 1 in the spreadsheet that BNY's expert used--but the ACTUAL defect rate we used, and settled on, was 36%. That would be scenario 3 or 4 in our spreadsheet, which is in the BNY expert report, too. I'm at a loss to understand why ResCap and Ally won't just look at the spreadsheet we used in BofA--because the scenarios in it track exactly what I've said. BofA argued for a vastly lower defect rate, which we rejected; they paid based on our much higher defect rate, which we accepted.

Importantly, the 36% defect rate we used for BofA was before litigation discounts, a primary one of which was the risk--which has obtained here--that Countrywide would go into bankruptcy. But for that risk, and the insolvency of Countrywide, the size of the CLAIM that we calculated against BofA was $32 billion. That's why I keep telling you that what we got from them was 25.7 cents on the dollar: the CLAIM size was $32 billion against them, and we settled for $8.5 billion, which is a recovery of 25.7 cents on the dollar based on a defect rate of 36%. Here, we've got a CLAIM size of more than $10 billion on which, as a practical matter, the recovery will be far less due to ResCap's bankruptcy.

Below is the relevant set of comparisons:

BofA Original Face: $432 billion	ResCap OF: $220 billion
BofA Current Face at Settlement: $163 billion	ResCap CF: $63 billion
BofA Claim Size: $32.5 billion	ResCap Claim Size: $10 billion
BofA Defect vs. Losses: 36%	ResCap Defect vs. Losses 22.2%
BofA Settlement: $8.5 billion	ResCap Settlement: whatever is distributed
BofA Settlement vs. Claim Size: 25.7 cents	ResCap Settlement: distrib. amt / $10 billion

That's why the numbers you're giving me don't make any sense, either with regard to our BofA Settlement--because the the numbers you have are just wrong--or by virtue what we know about ResCap. We've analyzed and assessed what we think is ResCap's actual exposure: if we were using the same, 36% defect rate we used with Bank of America, the claim size for ResCap would be well in excess of $18 billion. Instead, we've offered to resolve by agreeing to a claim size of $10 billion.

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http://www.mofo.com/Circular230/

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012, or

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

For the transition period from __________ to __________

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes ☑ No ☐

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

Yes ☑ No ☐

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

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

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

Yes ☐ No ☑

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

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Ally Financial Inc. • Form 10-Q

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Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

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

Statement continues on the next page.

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

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

Statement continues on the next page.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

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

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

Residential Capital, LLC

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

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

Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support, and there can be no assurance that Ally or its affiliates will continue such actions or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful. Consequently, there remains substantial doubt about ResCap's ability to continue as a going concern. Should Ally no longer continue to support the capital or liquidity needs of ResCap or should ResCap be unable to successfully execute other initiatives, it would have a material adverse effect on ResCap's business, results of operations, and financial position.

Ally has extensive financing and hedging arrangements with ResCap that could be at risk of nonpayment if ResCap were to file for bankruptcy. At December 31, 2011, Ally had funding arrangements with ResCap that included $1.0 billion of senior secured credit facilities (the Senior Secured Facilities) and a $1.6 billion line of credit (Line of Credit) consisting of a $1.1 billion secured facility and a $500 million unsecured facility. The Senior Secured Facilities and Line of Credit had a maturity date of April 13, 2012. Ally extended the maturity date of the Senior Secured Facilities and the $1.1 billion secured facility under the Line of Credit to May 14, 2012. The $500 million unsecured facility under the Line of Credit was not extended. At March 31, 2012, the $1.0 billion in Senior Secured Facilities were fully drawn, and $410 million of the remaining $1.1 billion Line of Credit was drawn. At March 31, 2012, the hedging arrangements were fully collateralized.

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

Significant Accounting Policies

Income Taxes

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

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

Recently Adopted Accounting Standards

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

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

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

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

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

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, *Intangibles-Goodwill and Other*. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operation.

Recently Issued Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11)

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

2. Discontinued and Held-for-sale Operations

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

Select Mortgage — Legacy Portfolio and Other Operations

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

Select Global Automotive Services — Insurance Operations

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

Select Global Automotive Services — International Automotive Finance Operations

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

Select Financial Information

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

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

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

Held-for-sale Operations

The assets and liabilities of operations held-for-sale are summarized below.

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

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

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

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

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Recurring Fair Value

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

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

3. Other Income, Net of Losses

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

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

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

4. Other Operating Expenses

Details of other operating expenses were as follows.

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

5. Trading Assets

The composition of trading assets was as follows.

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

6. Investment Securities

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

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

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

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

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

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

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

7. Loans Held-for-Sale, Net

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

	March 31, 2012			December 31, 2011		
($ in millions)	**Domestic**	**Foreign**	**Total**	Domestic	Foreign	Total
Consumer automobile	**$ 623**	**$ —**	**$ 623**	$ 425	$ —	$ 425
Consumer mortgage						
1st Mortgage	**5,299**	**35**	**5,334**	7,360	12	7,372
Home equity	**713**	**—**	**713**	740	—	740
Total consumer mortgage (a)	**6,012**	**35**	**6,047**	8,100	12	8,112
Commercial and industrial						
Other	**—**	**—**	**—**	20	—	20
Total loans held-for-sale (b)	**$ 6,635**	**$ 35**	**$ 6,670**	$ 8,545	$ 12	$ 8,557

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

8. Finance Receivables and Loans, Net

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

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

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 21 for additional information.
(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $3.0 billion and $2.9 billion at March 31, 2012, and December 31, 2011, respectively.

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

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

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

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

	March 31, 2012			December 31, 2011		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	**$ 34,338**	**$ 2,266**	**$ 36,604**	$ 32,464	$ 2,353	$ 34,817
Mortgage	**1,250**	**153**	**1,403**	1,760	151	1,911
Other	**913**	**347**	**1,260**	883	358	1,241
Commercial real estate						
Automobile	**2,354**	**178**	**2,532**	2,305	180	2,485
Mortgage	**—**	**15**	**15**	—	14	14
Total commercial	**$ 38,855**	**$ 2,959**	**$ 41,814**	$ 37,412	$ 3,056	$ 40,468

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

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Impaired Loans and Troubled Debt Restructurings

Impaired Loans

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

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

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

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

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

Troubled Debt Restructurings

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

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

Three months ended March 31, (*$ in millions*)	2012			2011		
	Number of loans	**Pre-modification carrying value before allowance**	**Post-modification carrying value before allowance**	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	**2,792**	**$ 33**	**$ 33**	1,228	$ 17	$ 17
Consumer mortgage						
1st Mortgage	**77**	**28**	**27**	127	44	44
Home equity	**173**	**10**	**9**	216	13	11
Total consumer mortgage	**250**	**38**	**36**	343	57	55
Commercial						
Commercial and industrial						
Automobile	**3**	**3**	**3**	1	3	3
Mortgage	**—**	**—**	**—**	—	—	—
Commercial real estate						
Automobile	**1**	**2**	**2**	—	—	—
Mortgage	**—**	**—**	**—**	—	—	—
Total commercial	**4**	**5**	**5**	1	3	3
Total consumer and commercial finance receivables and loans	**3,046**	**$ 76**	**$ 74**	1,572	$ 77	$ 75

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

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

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

Higher-Risk Mortgage Concentration Risk

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

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

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

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

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

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

	Three months ended March 31,	
(*$ in millions)*	**2012**	2011
Depreciation expense on operating lease assets (excluding remarketing gains)	**$ 347**	$ 390
Remarketing gains	**(54)**	(120)
Depreciation expense on operating lease assets	**$ 293**	$ 270

10. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

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

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

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

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

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

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

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

Other Variable Interest Entities

Servicer Advance Funding Entity

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

Other

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

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

Involvement with Variable Interest Entities

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

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

(a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
(b) Includes $2.4 billion and $2.4 billion classified as mortgage loans held-for-sale, $87 million and $92 million classified as trading securities or other assets, and $419 million and $386 million classified as mortgage servicing rights at March 31, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation.
(c) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
(d) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.
(e) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at $266 million to the VIE.
(f) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.
(g) Includes $65 million and $100 million classified as finance receivables and loans, net, and $20 million and $20 million classified as other assets, offset by $37 million and $37 million classified as accrued expenses and other liabilities at March 31, 2012, and December 31, 2011, respectively.
(h) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.

On-balance Sheet Variable Interest Entities

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

entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

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

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

Off-balance Sheet Variable Interest Entities

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

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

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

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

	Three months ended March 31,	
($ in millions)	**2012**	2011
Consumer mortgage — GSEs	**$ 280**	$ (3)
Consumer mortgage — private-label	**—**	(1)
Total pretax gain (loss)	**$ 280**	$ (4)

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

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

n/m = not meaningful

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

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

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

Changes in Accounting for Variable Interest Entities

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

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11. Servicing Activities

Mortgage Servicing Rights

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

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

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

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

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

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

Risk Mitigation Activities

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

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

	Three months ended March 31,	
($ in millions)	**2012**	2011
Change in estimated fair value of mortgage servicing rights	**$ 1**	$ 117
Change in fair value of derivative financial instruments	**8**	(204)
Servicing valuation and hedge activities, net	**$ 9**	$ (87)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended March 31,	
($ in millions)	**2012**	2011
Contractual servicing fees, net of guarantee fees and including subservicing	**$ 226**	$ 257

Late fees		**19**		21
Ancillary fees		**35**		33
Total mortgage servicing fees	**$**	**280**	$	311

Mortgage Servicing Advances

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

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

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

Serviced Mortgage Assets

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

($ in millions)		**March 31, 2012**		December 31, 2011
On-balance sheet mortgage loans				
Held-for-sale and investment	**$**	**17,115**	$	18,871
Operations held-for-sale		**436**		541
Off-balance sheet mortgage loans				
Loans sold to third-party investors				
Private-label		**48,514**		50,886
GSEs		**255,053**		262,868
Whole-loan		**14,484**		15,105
Purchased servicing rights		**3,089**		3,247
Operations held-for-sale		**5,213**		4,912
Total primary serviced mortgage loans		**343,904**		356,430
Subserviced mortgage loans		**28,423**		26,358
Subserviced operations held-for-sale		**2**		4
Total subserviced mortgage loans		**28,425**		26,362
Master-servicing-only mortgage loans		**8,225**		8,557
Total serviced mortgage loans	**$**	**380,554**	$	391,349

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

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

Automobile Servicing Activities

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

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

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

12. Other Assets

The components of other assets were as follows.

($ in millions)	March 31, 2012	December 31, 2011
Property and equipment at cost	$ 1,162	$ 1,152
Accumulated depreciation	(802)	(787)
Net property and equipment	360	365
Fair value of derivative contracts in receivable position	4,175	5,687
Servicer advances	2,144	2,142
Restricted cash collections for securitization trusts (a)	1,830	1,596
Collateral placed with counterparties	1,425	1,448
Other accounts receivable	1,176	1,110
Cash reserve deposits held-for-securitization trusts (b)	890	838
Restricted cash and cash equivalents	846	1,381
Debt issuance costs	610	612
Prepaid expenses and deposits	558	568
Goodwill	519	518
Real estate and other investments	411	385
Nonmarketable equity securities	394	419
Accrued interest and rent receivable	227	232
Interests retained in financial asset sales	194	231
Repossessed and foreclosed assets	150	141
Other assets	1,056	1,068
Total other assets	$ 16,965	$ 18,741

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

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13. Deposit Liabilities

Deposit liabilities consisted of the following.

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

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

14. Short-term Borrowings

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

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

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

15. Long-term Debt

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

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

(a) Includes $7.4 billion guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) at both March 31, 2012, and December 31, 2011.
(b) Includes $2.6 billion of trust preferred securities at both March 31, 2012, and December 31, 2011.
(c) Includes fair value option-elected secured long-term debt of $828 million and $830 million at March 31, 2012, and December 31, 2011, respectively. Refer to Note 21 for additional information.

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

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

(a) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain secured notes. This concession is being amortized over the life of the notes through a reduction to interest expense using an effective yield methodology.

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

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

(a) In the second quarter of 2008, ResCap executed an exchange offer that resulted in a concession being recognized as an adjustment to the carrying value of certain secured notes. This concession is being amortized over the life of the notes through a reduction to interest expense using an effective yield methodology.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

Trust Preferred Securities

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

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

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

Funding Facilities

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

Committed Funding Facilities

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

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
(b) Total unused capacity includes $4.0 billion as of March 31, 2012, and $4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.
(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

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

16. Equity

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

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

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

17. Earnings per Common Share

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

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

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

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

18. Regulatory Capital

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

A banking institution meets the regulatory definition of "well-capitalized" when its Total risk-based capital ratio equals or exceeds 10%

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

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

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

The following table summarizes our capital ratios.

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

n/a = not applicable

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

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

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

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

19. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

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

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

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

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

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

- ***Debt*** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

- ***Other*** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

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

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

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

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

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

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

Credit Risk

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

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

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

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

Balance Sheet Presentation

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

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

(a) Includes accrued interest of $378 million and $459 million at March 31, 2012, and December 31, 2011, respectively.
(b) Includes accrued interest of $366 million and $458 million at March 31, 2012, and December 31, 2011, respectively.

Statement of Comprehensive Income Presentation

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

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

(a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $29 million and $88 million for the three months ended March 31, 2012 and 2011, respectively.
(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were $63 million for both the three months ended March 31, 2012 and 2011.
(c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $29 million and $90 million were recognized for the three months ended March 31, 2012 and 2011, respectively.

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

($ in millions)	Three months ended March 31, 2012	2011
Cash flow hedges		
Interest rate contracts		
Loss recorded directly to interest on long-term debt	**$ (5)**	$ —
Loss recognized in other comprehensive income	**(3)**	—
Net investment hedges		
Foreign exchange contracts		
Loss recorded directly to other income, net of losses (a)	**$ —**	$ (3)
Loss recognized in other comprehensive income (b)	**(203)**	(148)

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

20. Income Taxes

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

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

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

21. Fair Value

Fair Value Measurements

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

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

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

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

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

- ***Trading assets (excluding derivatives)*** — Trading assets are recorded at fair value. Our portfolio includes MBS (including senior and subordinated interests) and may be investment-grade, noninvestment grade, or unrated securities. Valuations are primarily based on internally developed discounted cash flow models (an income approach) that use assumptions consistent with current market conditions. The valuation considers recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

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

- ***Mortgage loans held-for-sale, net*** — Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they are accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility (domestic only), product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans — This includes all GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Level 3 mortgage loans — This includes all conditional repurchase option loans carried at fair value due to the fair value option election and all GSE-ineligible residential mortgage loans that are accounted for at the lower-of-cost or fair value. The fair value of these residential mortgage loans are determined using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the fair value elections.

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

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

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

- ***Interests retained in financial asset sales*** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

- ***Derivative instruments*** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

(a) Our investment in any one industry did not exceed 19%.
(b) Carried at fair value due to fair value option elections.
(c) Includes derivatives classified as trading.
(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

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

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

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

	Level 3 recurring fair value measurements							
		Net realized/unrealized gains (losses)						
($ in millions)	Fair value at Jan. 1, 2012	included in earnings	included in other comprehensive income	Purchases	Issuances	Settlements	Fair value at March 31, 2012	Net unrealized gains (losses) included in earnings still held at March 31, 2012
Assets								
Trading assets (excluding derivatives)								
Mortgage-backed residential securities	$ 33	$ 2 (a)	$ —	$ —	$ —	$ (3)	$ 32	$ 4 (a)
Investment securities								
Available-for-sale debt securities								
Asset-backed	62	—	1	—	—	—	63	—
Mortgage loans held-for-sale, net (b)	30	—	—	9	—	(9)	30	—
Consumer mortgage finance receivables and loans, net (b)	835	87 (b)	—	—	—	(90)	832	35 (b)
Mortgage servicing rights	2,519	1 (c)	—	—	11	64	2,595	1 (c)
Other assets								
Interests retained in financial asset sales	231	5 (d)	—	—	—	(42)	194	—
Derivative contracts, net (e)								
Interest rate	71	(24) (f)	—	—	—	(3)	44	(28) (f)
Foreign currency	16	(11) (f)	—	—	—	—	5	(11) (f)
Total derivative contracts in a (payable) receivable position, net	87	(35)	—	—	—	(3)	49	(39)
Total assets	$ 3,797	$ 60	$ 1	$ 9	$ 11	$ (83)	$ 3,795	$ 1
Liabilities								
Long-term debt								
On-balance sheet securitization debt (b)	$ (830)	$ (83) (b)	$ —	$ —	$ —	$ 85	$ (828)	$ (39) (b)
Accrued expenses and other liabilities								
Loan repurchase liabilities (b)	(29)	—	—	(9)	—	8	(30)	—
Total liabilities	$ (859)	$ (83)	$ —	$ (9)	$ —	$ 93	$ (858)	$ (39)

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

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	Level 3 recurring fair value measurements								
		Net realized/unrealized gains (losses)							
($ in millions)	Fair value at Jan. 1, 2011	included in earnings	included in other comprehensive income	Purchases	Sales	Issuances	Settlements	Fair value at March 31, 2011	Net unrealized gains (losses) included in earnings still held at March 31, 2011
Assets									
Trading assets (excluding derivatives)									
Mortgage-backed residential securities	$ 44	$ 1 (a)	$ —	$ —	$ —	$ —	$ (5)	$ 40	$ 2 (a)
Asset-backed securities	94	—	—	—	(94)	—	—	—	—
Total trading assets	138	1	—	—	(94)	—	(5)	40	2
Investment securities									
Available-for-sale debt securities									
Mortgage-backed residential	1	—	—	—	—	—	—	1	—
Asset-backed	—	—	23	94	—	—	—	117	—
Total debt securities	1	—	23	94	—	—	—	118	—
Mortgage loans held-for-sale, net (b)	4	—	—	14	—	—	—	18	—
Consumer mortgage finance receivables and loans, net (b)	1,015	73 (b)	1	—	—	—	(118)	971	16 (b)
Mortgage servicing rights	3,738	116 (c)	—	2	(266) (d)	184	—	3,774	116 (d)
Other assets									
Interests retained in financial asset sales	568	23 (e)	—	—	—	—	(22)	569	(6) (e)
Derivative contracts, net (g)									
Interest rate	(13)	141 (f)	—		—	—	(17)	111	123 (f)
Foreign currency	—	2 (f)	—		—	—	—	2	2 (f)
Total derivative contracts in a (payable) receivable position, net	(13)	143	—	—	—	—	(17)	113	125
Total assets	$ 5,451	$ 356	$ 24	$ 110	$(360)	$ 184	$ (162)	$ 5,603	$ 253
Liabilities									
Long-term debt									
On-balance sheet securitization debt (b)	$ (972)	$ (67) (b)	$ 1	$ —	$ —	$ —	$ 116	$ (922)	$ 5 (b)
Accrued expenses and other liabilities									
Loan repurchase liabilities (b)	—	—	—	(14)	—	—	—	(14)	—
Total liabilities	$ (972)	$ (67)	$ 1	$ (14)	$ —	$ —	$ 116	$ (936)	$ 5

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

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

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

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

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

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

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

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

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

(c) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

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

	Nonrecurring fair value measures					
March 31, 2011 *($ in millions)*	Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total gains included in earnings for the three months ended
Assets						
Mortgage loans held-for-sale (a)	$ —	$ —	$ 597	$ 597	$ (50)	n/m (b)
Commercial finance receivables and loans, net (c)						
Automotive	—	—	416	416	(46)	n/m (b)
Mortgage	—	13	26	39	(15)	n/m (b)
Other	—	—	93	93	(41)	n/m (b)
Total commercial finance receivables and loans, net	—	13	535	548	(102)	n/m (b)
Other assets						
Real estate and other investments (d)	—	1	—	1	n/m	$ —
Repossessed and foreclosed assets (e)	—	44	37	81	(11)	n/m (b)
Total assets	$ —	$ 58	$ 1,169	$ 1,227	$ (163)	$ —

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

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

(c) Represents the portion of the portfolio specifically impaired during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(d) Represents model homes impaired during 2011. The total gain included in earnings represents adjustments to the fair value of the portfolio based on the estimated fair value if the model home is under lease or the estimated value if the model home is marketed for sale.

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

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

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

Fair Value Option for Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Excludes accrued interest receivable.
(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.
(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and loans 90+ days past due to individual loans based on the unpaid principal balances. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net.*

Notes to Condensed Consolidated Financial Statements (unaudited)

Fair Value of Financial Instruments

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

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

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled *Fair Value Option for Financial Assets and Liabilities* for further information about the fair value elections.
(b) The carrying value includes deferred interest for zero-coupon bonds of $658 million and $640 million at March 31, 2012, and December 31, 2011, respectively.

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

- ***Loans held-for-sale, net*** — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

- ***Finance receivables and loans, net*** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

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

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

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

22. Segment and Geographic Information

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

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

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

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

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

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

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

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

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

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

Change in Reportable Segment Information

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

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

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

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

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Information concerning principal geographic areas was as follows.

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

(a) The 2011 balances for Asia-Pacific and domestic were reclassified to conform with the 2012 presentation. These reclassifications have no impact to our condensed consolidated results of operations.
(b) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Statement of Comprehensive Income.
(c) The domestic amounts include original discount amortization of $111 million and $299 million for the three months ended March 31, 2012 and 2011 respectively.
(d) Amounts include eliminations between our foreign operations.
(e) Amounts include eliminations between our domestic and foreign operations.

23. Parent and Guarantor Consolidating Financial Statements

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

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

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

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Condensed Consolidating Statement of Income

Three months ended March 31, 2012 *($ in millions)*	Parent	Guarantors	Nonguarantors	Consolidating Adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$ 253	$ 8	$ 1,421	$ (4)	$ 1,678
Interest and fees on finance receivables and loans — intercompany	41	5	8	(54)	—
Interest on loans held-for-sale	5	—	68	—	73
Interest on trading securities	—	—	11	—	11
Interest and dividends on available-for-sale investment securities	—	—	84	—	84
Interest-bearing cash	1	—	13	—	14
Operating leases	52	—	488	—	540
Total financing revenue and other interest income	352	13	2,093	(58)	2,400
Interest expense					
Interest on deposits	17	—	169	—	186
Interest on short-term borrowings	16	1	58	—	75
Interest on long-term debt	726	2	449	—	1,177
Interest on intercompany debt	(1)	7	52	(58)	—
Total interest expense	758	10	728	(58)	1,438
Depreciation expense on operating lease assets	13	—	280	—	293
Net financing (loss) revenue	(419)	3	1,085	—	669
Dividends from subsidiaries					
Nonbank subsidiaries	141	5	—	(146)	—
Other revenue					
Servicing fees	52	—	258	—	310
Servicing asset valuation and hedge activities, net	—	—	9	—	9
Total servicing income, net	52	—	267	—	319
Insurance premiums and service revenue earned	—	—	375	—	375
(Loss) gain on mortgage and automotive loans, net	(1)	—	127	—	126
Other gain on investments, net	—	—	90	—	90
Other income, net of losses	59	145	387	(314)	277
Total other revenue	110	145	1,246	(314)	1,187
Total net (loss) revenue	(168)	153	2,331	(460)	1,856
Provision for loan losses	75	2	63	—	140
Noninterest expense					
Compensation and benefits expense	216	147	256	(144)	475
Insurance losses and loss adjustment expenses	—	—	159	—	159
Other operating expenses	93	1	792	(170)	716
Total noninterest expense	309	148	1,207	(314)	1,350
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(552)	3	1,061	(146)	366
Income tax (benefit) expense from continuing operations	(254)	—	318	—	64
Net (loss) income from continuing operations	(298)	3	743	(146)	302
Income from discontinued operations, net of tax	7	—	1	—	8
Undistributed income of subsidiaries					
Bank subsidiary	223	223	—	(446)	—
Nonbank subsidiaries	378	85	—	(463)	—
Net income	$ 310	$ 311	$ 744	$ (1,055)	$ 310

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Three months ended March 31, 2011 (*$ in millions*)	Parent	Guarantors	Nonguarantors	Consolidating Adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$ 252	$ 7	$ 1,362	$ —	$ 1,621
Interest and fees on finance receivables and loans — intercompany	91	5	7	(103)	—
Interest on loans held-for-sale	—	—	84	—	84
Interest on trading securities	—	—	3	—	3
Interest and dividends on available-for-sale investment securities	3	—	100	—	103
Interest and dividends on available-for-sale investment securities — intercompany	—	—	2	(2)	—
Interest-bearing cash	3	—	9	—	12
Operating leases	308	—	347	—	655
Total financing revenue and other interest income	657	12	1,914	(105)	2,478
Interest expense					
Interest on deposits	15	—	151	—	166
Interest on short-term borrowings	13	—	79	—	92
Interest on long-term debt	988	2	416	—	1,406
Interest on intercompany debt	(4)	7	102	(105)	—
Total interest expense	1,012	9	748	(105)	1,664
Depreciation expense on operating lease assets	131	—	139	—	270
Net financing (loss) revenue	(486)	3	1,027	—	544
Dividends from subsidiaries					
Nonbank subsidiaries	501	—	—	(501)	—
Other revenue					
Servicing fees	80	—	277	—	357
Servicing asset valuation and hedge activities, net	—	—	(87)	—	(87)
Total servicing income, net	80	—	190	—	270
Insurance premiums and service revenue earned	—	—	399	—	399
Gain on mortgage and automotive loans, net	—	—	90	—	90
Loss on extinguishment of debt	(39)	—	—	—	(39)
Other gain on investments, net	9	—	75	—	84
Other income, net of losses	15	—	337	(148)	204
Total other revenue	65	—	1,091	(148)	1,008
Total net revenue	80	3	2,118	(649)	1,552
Provision for loan losses	83	(1)	31	—	113
Noninterest expense					
Compensation and benefits expense	198	2	224	—	424
Insurance losses and loss adjustment expenses	—	—	170	—	170
Other operating expenses	118	1	775	(148)	746
Total noninterest expense	316	3	1,169	(148)	1,340
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(319)	1	918	(501)	99
Income tax (benefit) expense from continuing operations	(133)	—	63	—	(70)
Net (loss) income from continuing operations	(186)	1	855	(501)	169
Loss from discontinued operations, net of tax	(5)	—	(18)	—	(23)
Undistributed income of subsidiaries					
Bank subsidiary	251	251	—	(502)	—
Nonbank subsidiaries	86	197	—	(283)	—
Net income	$ 146	$ 449	$ 837	$ (1,286)	$ 146

Notes to Condensed Consolidated Financial Statements (unaudited)

Condensed Consolidating Balance Sheet

March 31, 2012 *($ in millions)*	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$ 1,087	$ —	$ 1,192	$ —	$ 2,279
Interest-bearing	3,901	32	6,867	—	10,800
Interest-bearing — intercompany	—	—	930	(930)	—
Total cash and cash equivalents	4,988	32	8,989	(930)	13,079
Trading assets	—	—	895	—	895
Investment securities	—	—	14,942	—	14,942
Loans held-for-sale, net	623	—	6,047	—	6,670
Finance receivables and loans, net					
Finance receivables and loans, net	19,585	450	99,783	—	119,818
Intercompany loans to					
Bank subsidiary	2,950	—	—	(2,950)	—
Nonbank subsidiaries	5,521	366	518	(6,405)	—
Allowance for loan losses	(304)	(4)	(1,238)	—	(1,546)
Total finance receivables and loans, net	27,752	812	99,063	(9,355)	118,272
Investment in operating leases, net	512	—	9,536	—	10,048
Intercompany receivables from					
Bank subsidiary	206	—	—	(206)	—
Nonbank subsidiaries	491	556	154	(1,201)	—
Investment in subsidiaries					
Bank subsidiary	13,336	13,336	—	(26,672)	—
Nonbank subsidiaries	17,281	4,017	—	(21,298)	—
Mortgage servicing rights	—	—	2,595	—	2,595
Premiums receivable and other insurance assets	—	—	1,876	—	1,876
Other assets	2,414	3	15,016	(468)	16,965
Assets of operations held-for-sale	(34)	—	1,042	—	1,008
Total assets	$ 67,569	$ 18,756	$ 160,155	$ (60,130)	$ 186,350
Liabilities					
Deposit liabilities					
Noninterest-bearing	$ —	$ —	$ 2,314	$ —	$ 2,314
Interest-bearing	1,861	—	43,031	—	44,892
Total deposit liabilities	1,861	—	45,345	—	47,206
Short-term borrowings	2,987	139	4,077	—	7,203
Long-term debt	39,820	219	53,951	—	93,990
Intercompany debt to					
Nonbank subsidiaries	965	484	8,836	(10,285)	—
Intercompany payables to					
Bank subsidiary	213	—	—	(213)	—
Nonbank subsidiaries	627	272	294	(1,193)	—
Interest payable	1,126	4	545	—	1,675
Unearned insurance premiums and service revenue	—	—	2,632	—	2,632
Reserves for insurance losses and loss adjustment expenses	—	—	565	—	565
Accrued expenses and other liabilities	303	289	12,965	(468)	13,089
Liabilities of operations held-for-sale	—	—	323	—	323
Total liabilities	47,902	1,407	129,533	(12,159)	166,683
Total equity	19,667	17,349	30,622	(47,971)	19,667

Total liabilities and equity	$	**67,569**	$	**18,756**	$	**160,155**	$	**(60,130)**	$	**186,350**

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2011 *($ in millions)*	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$ 1,413	$ —	$ 1,062	$ —	$ 2,475
Interest-bearing	4,848	14	5,698	—	10,560
Interest-bearing — intercompany	—	—	516	(516)	—
Total cash and cash equivalents	6,261	14	7,276	(516)	13,035
Trading assets	—	—	622	—	622
Investment securities	—	—	15,135	—	15,135
Loans held-for-sale, net	425	—	8,132	—	8,557
Finance receivables and loans, net					
Finance receivables and loans, net	15,151	476	99,128	—	114,755
Intercompany loans to					
Bank subsidiary	4,920	—	—	(4,920)	—
Nonbank subsidiaries	5,448	356	550	(6,354)	—
Allowance for loan losses	(245)	(2)	(1,256)	—	(1,503)
Total finance receivables and loans, net	25,274	830	98,422	(11,274)	113,252
Investment in operating leases, net	928	—	8,347	—	9,275
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	1,070	327	577	(1,974)	—
Investment in subsidiaries					
Bank subsidiary	13,061	13,061	—	(26,122)	—
Nonbank subsidiaries	17,433	3,809	—	(21,242)	—
Mortgage servicing rights	—	—	2,519	—	2,519
Premiums receivable and other insurance assets	—	—	1,853	—	1,853
Other assets	2,664	3	16,712	(638)	18,741
Assets of operations held-for-sale	(174)	—	1,244	—	1,070
Total assets	$ 67,024	$ 18,044	$ 160,839	$ (61,848)	$ 184,059
Liabilities					
Deposit liabilities					
Noninterest-bearing	$ —	$ —	$ 2,029	$ —	$ 2,029
Interest-bearing	1,768	—	41,253	—	43,021
Total deposit liabilities	1,768	—	43,282	—	45,050
Short-term borrowings	2,756	136	4,788	—	7,680
Long-term debt	39,524	214	53,056	—	92,794
Intercompany debt to					
Nonbank subsidiaries	574	492	10,724	(11,790)	—
Intercompany payables to					
Bank subsidiary	39	—	—	(39)	—
Nonbank subsidiaries	1,266	1	750	(2,017)	—
Interest payable	1,167	3	417	—	1,587
Unearned insurance premiums and service revenue	—	—	2,576	—	2,576
Reserves for insurance losses and loss adjustment expenses	—	—	580	—	580
Accrued expenses and other liabilities	559	323	13,839	(637)	14,084
Liabilities of operations held-for-sale	—	—	337	—	337
Total liabilities	47,653	1,169	130,349	(14,483)	164,688
Total equity	19,371	16,875	30,490	(47,365)	19,371
Total liabilities and equity	$ 67,024	$ 18,044	$ 160,839	$ (61,848)	$ 184,059

Notes to Condensed Consolidated Financial Statements (unaudited)

Condensed Consolidating Statement of Cash Flows

Three months ended March 31, 2012 *($ in millions)*	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	$ (412)	$ 12	$ 2,688	$ (146)	$ 2,142
Investing activities					
Purchases of available-for-sale securities	—	—	(3,172)	—	(3,172)
Proceeds from sales of available-for-sale securities	—	—	2,940	—	2,940
Proceeds from maturities of available-for-sale securities	—	—	1,222	—	1,222
Net (increase) decrease in finance receivables and loans	(3,691)	26	(744)	—	(4,409)
Net decrease (increase) in loans — intercompany	1,649	(9)	32	(1,672)	—
Net decrease (increase) in operating lease assets	216	—	(1,219)	—	(1,003)
Capital contributions to subsidiaries	(44)	—	—	44	—
Returns of contributed capital	366	—	—	(366)	—
Proceeds from sale of business units, net	29	—	—	—	29
Other, net	(48)	—	371	—	323
Net cash (used in) provided by investing activities	(1,523)	17	(570)	(1,994)	(4,070)
Financing activities					
Net change in short-term borrowings — third party	231	3	(780)	—	(546)
Net increase in bank deposits	—	—	1,737	—	1,737
Proceeds from issuance of long-term debt — third party	859	5	9,885	—	10,749
Repayments of long-term debt — third party	(574)	—	(9,450)	—	(10,024)
Net change in debt — intercompany	390	(8)	(1,640)	1,258	—
Dividends paid — third party	(200)	—	—	—	(200)
Dividends paid and returns of contributed capital — intercompany	—	(11)	(501)	512	—
Capital contributions from parent	—	—	44	(44)	—
Other, net	92	—	260	—	352
Net cash provided by (used in) financing activities	798	(11)	(445)	1,726	2,068
Effect of exchange-rate changes on cash and cash equivalents	(136)	—	(5)	—	(141)
Net (decrease) increase in cash and cash equivalents	(1,273)	18	1,668	(414)	(1)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	45	—	45
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at March 31	$ 4,988	$ 32	$ 8,989	$ (930)	$ 13,079

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Three months ended March 31, 2011 *($ in millions)*	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by (used in) operating activities	$ 7,381	$ 5	$ (3,843)	$ (501)	$ 3,042
Investing activities					
Purchases of available-for-sale securities	—	—	(5,529)	—	(5,529)
Proceeds from sales of available-for-sale securities	1,494	—	2,981	—	4,475
Proceeds from maturities of available-for-sale securities	1	—	1,102	—	1,103
Net (increase) decrease in finance receivables and loans	(7,669)	35	3,385	—	(4,249)
Net decrease (increase) in loans — intercompany	1,578	(22)	2	(1,558)	—
Net (increase) decrease in operating lease assets	(1,293)	—	1,242	—	(51)
Capital contributions to subsidiaries	(50)	(50)	—	100	—
Proceeds from sale of business units, net	—	—	46	—	46
Other, net	(229)	2	818	—	591
Net cash (used in) provided by investing activities	(6,168)	(35)	4,047	(1,458)	(3,614)
Financing activities					
Net change in short-term borrowings — third party	312	(39)	(186)	—	87
Net increase in bank deposits	—	—	1,670	—	1,670
Proceeds from issuance of long-term debt — third party	2,088	28	11,688	—	13,804
Repayments of long-term debt — third party	(2,131)	(7)	(11,073)	—	(13,211)
Net change in debt — intercompany	(110)	(2)	(1,556)	1,668	—
Dividends paid — third party	(228)	—	—	—	(228)
Dividends paid and returns of contributed capital — intercompany	—	—	(501)	501	—
Capital contributions from parent	—	50	50	(100)	—
Other, net	131	—	(48)	—	83
Net cash provided by financing activities	62	30	44	2,069	2,205
Effect of exchange-rate changes on cash and cash equivalents	—	—	(266)	—	(266)
Net increase (decrease) in cash and cash equivalents	1,275	—	(18)	110	1,367
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(91)	—	(91)
Cash and cash equivalents at beginning of year	4,665	2	7,507	(504)	11,670
Cash and cash equivalents at March 31	$ 5,940	$ 2	$ 7,398	$ (394)	$ 12,946

24. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 31 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

Mortgage Foreclosure Matters

Settlements with Federal Government and State Attorneys General

Agreement

On February 9, 2012, we reached an agreement in principle with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (Settlement). On March 12, 2012, the Settlement was filed as a consent judgment in the U.S. District Court for the District of Columbia.

The Settlement requires a payment by Residential Capital, LLC, one of our mortgage subsidiaries, of approximately $110 million to a trustee, who will then distribute these funds to federal and state governments. This payment was made on March 14, 2012. In addition, we are obligated to provide $200 million towards borrower relief, subject to possible upward adjustment as described below. This obligation for borrower relief will include loan modifications, including principal reduction and rate reduction refinancing programs for borrowers that meet certain requirements, and participation in certain other programs. Generally, if certain basic criteria are met, borrowers that are either delinquent or at imminent risk of default and owe more on their mortgages than their homes are worth could be eligible for principal reductions, and borrowers that are current on their mortgages but who owe more on their mortgage than their homes are worth could be eligible for refinancing opportunities. Further, we have agreed to solicit all borrowers that are eligible for rate and principal modifications as of March 1, 2012. We are committed to providing loan modifications to all eligible borrowers who accept a modification offer within three months of the solicitation. We have also agreed to provide loan modifications to borrowers who accept a modification offer within six months

of the solicitation, unless and until total borrower relief provided exceeds $250 million. As of March 31, 2012, no loan modifications have been completed. However, we are currently in the process of soliciting eligible borrowers and expect modifications to begin in the second quarter of 2012.

The Settlement provides incentives for borrower relief that is provided within the first twelve months, and all obligations must be met within three years from the date the consent judgment was filed. In addition to the foregoing, we are required to implement new servicing standards relating to matters such as foreclosure and bankruptcy information and documentation, oversight, loss mitigation, limitations on fees, and related procedural matters. Certain mortgage companies (Mortgage Companies) expect to implement the new servicing standards by the October 5, 2012 deadline. Compliance with these obligations are overseen by an independent monitor, who has authority to impose additional penalties and fines if we fail to meet established timelines or fail to implement required servicing standards.

The Settlement generally resolves potential claims arising out of origination and servicing activities and foreclosure matters, subject to certain exceptions. The Settlement does not prevent state and federal authorities from pursuing criminal enforcement actions, securities-related claims (including actions related to securitization activities and Mortgage Electronic Registration Systems, or MERS), loan origination claims, certain claims brought by the FDIC and the GSEs, and certain other matters. The Settlement also does not prevent claims that may be brought by individual borrowers.

Federal Reserve Board Civil Money Penalty

On February 9, 2012, we agreed with the Federal Reserve Board on a civil money penalty (CMP) of $207 million related to the same activities that were the subject of the Settlement. This amount will be reduced dollar-for-dollar in connection with certain aspects of our satisfaction of the required monetary payment and borrower relief obligations included within the Settlement, as well as our participation in other similar programs approved by the Federal Reserve Board. While additional future cash payments related to the CMP are possible if we are unable to satisfy the borrower relief requirements of the Settlement within two years, we currently expect that the full amount of the CMP will be satisfied through our commitments included within the Settlement.

Other Mortgage Foreclosure Matters

Commonwealth of Massachusetts

On December 1, 2011, the Commonwealth of Massachusetts filed an enforcement action in the Suffolk County Superior Court against GMAC Mortgage and several other lender/servicers. For further details, refer to Legal Proceedings below.

Consent Order

As a result of an examination conducted by the FRB and FDIC, on April 13, 2011, each of Ally Financial Inc., Ally Bank, Residential Capital, LLC and GMAC Mortgage, LLC (collectively, the Ally Entities) entered into a Consent Order (the Consent Order) with the FRB and the FDIC. The Consent Order requires the Ally Entities to make improvements to various aspects of Ally's residential mortgage loan-servicing business, including compliance programs, internal audit, communications with borrowers, vendor management, management information systems, employee training, and oversight by the boards of the Ally Entities.

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

Loan Repurchases and Obligations Related to Loan Sales

Overview

Mortgage Companies within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Notes to Condensed Consolidated Financial Statements (unaudited)

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

	March 31, 2012		December 31, 2011 (a)	
($ in millions)	**Number of loans**	**Original UPB of loans**	Number of loans	Original UPB of loans
GSEs	**457**	**$ 89**	357	$ 71
Insured PLS (monolines)				
MBIA	**7,314**	**491**	7,314	490
FGIC	**4,826**	**382**	4,608	369
Other	**937**	**70**	730	58
Uninsured PLS	**294**	**78**	38	7
Whole-loan/other	**561**	**85**	475	74
Total number of loans and unpaid principal balance	**14,389**	**$ 1,195**	13,522	$ 1,069

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at March 31, 2012 relates primarily to non-GSE exposure.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended March 31, (*$ in millions*)	**2012**	2011
Balance at January 1,	**$ 825**	$ 830
Provision for mortgage representation and warranty expenses		
Loan sales	**5**	6
Change in estimate — continuing operations	**19**	26
Total additions	**24**	32
Resolved claims (a)	**(42)**	(34)
Recoveries	**4**	2
Balance at March 31,	**$ 811**	$ 830

(a) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold $250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to $128 million of original unpaid principal balance of which $93 million are associated with the 2004 through 2008 vintages. The remaining $35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012, the applicable Mortgage Companies resolved claims with respect to $110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $60 million of original unpaid principal balance, and rescinded claims related to $50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label MBS in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was $5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was $2 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) “non-loan-level” representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

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

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $24.4 billion. For the three months ended March 31, 2012, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was $14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $10 million. These other specified categories include, among others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the

GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured PLS (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold $42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012, the Mortgage Companies received repurchase claims related to $28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to $2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely.

Uninsured PLS

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold $182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to $70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received $22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to $10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance, they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately $173 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims. The following information supplements the disclosures in Note 31 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

FGIC Litigation

The Financial Guaranty Insurance Company (FGIC) filed three complaints on November 29, 2011, against several of Ally's mortgage subsidiaries in New York County Supreme Court. In two of these cases, both entitled Financial Guaranty Insurance Company v. Residential Funding Company LLC (RFC), et al., FGIC alleges that defendants RFC and ResCap breached their contractual representations and warranties relating to the characteristics of the mortgage loans contained in certain insured MBS offerings. FGIC further alleges that the defendants breached their contractual obligations to permit access to loan files and certain books and records.

In the third case, entitled Financial Guaranty Insurance Company v. GMAC Mortgage LLC (GMAC Mortgage), et al., FGIC makes similar contract allegations against GMAC Mortgage and ResCap, as well as a claim against GMAC Mortgage for fraudulent inducement. In addition, FGIC alleges aiding and abetting fraudulent inducement against Ally Bank, which originated a large portion of the loans in the disputed pool, and breach of the custodial agreement for failing to notify FGIC of the claimed breaches of representations and warranties. In each of these cases, FGIC seeks, among other relief, reimbursement of all sums it paid under the various policies and an award of legal, rescissory, equitable, and punitive damages.

On December 15, 2011, FGIC filed a fourth complaint in New York County Supreme Court related to insurance policies issued in connection with an RFC-sponsored transaction. This complaint, entitled Financial Guaranty Insurance Company v. Ally, et al., names Ally, RFC, and ResCap, and seeks various forms of declaratory and monetary relief. The complaint alleges that the defendants are alter egos of one another, fraudulently induced FGIC's agreement to provide insurance by misrepresenting the nature of RFC's business practices and the credit quality and characteristics of the underlying loans, and have now materially breached their agreement with FGIC by refusing its requests for information and documents.

On December 27, 2011, FGIC filed three additional complaints in New York County Supreme Court against Ally, RFC, and ResCap. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same.

Since January 1, 2012, FGIC has filed five new complaints in federal court naming some combination of Ally, ResCap, Ally Bank, RFC, and GMAC Mortgage. The five complaints were filed on January 31, 2012, March 5, 2012, March 6, 2012, March 12, 2012 and March 13, 2012, respectively. These complaints seek relief nearly identical to that of FGIC's previously filed cases and contain substantially similar allegations. In particular, FGIC alleges that the defendants, acting as alter egos of each other, fraudulently induced FGIC to enter into seven separate insurance and indemnity agreements and breached their contractual obligations under same. In addition, FGIC amended its first-filed complaint to name Ally Financial as a defendant.

All of the FGIC cases are now venued in the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each such case.

Mitchell Litigation

In this statewide class action, plaintiffs alleged that Mortgage Capital Resources, Inc. (MCR) violated the Missouri Second Mortgage Loan Act by charging Missouri borrowers fees and interest not permitted by the Act. RFC and Homecomings Financial LLC (HFN), among others, were named as defendants in their role as assignees of certain of the MCR loans. Following a trial concluded in January 2008, the jury returned verdicts against all defendants, including an award against RFC and HFN for $4 million in compensatory damages (plus pre- and post-judgment interest and attorneys' fees) and against RFC for $92 million in punitive damages. In a November 2010 decision, the Missouri Court of Appeals affirmed the compensatory damages but ordered a new trial on punitive damages. Upon remand, we paid $12.8 million in compensatory damages (including interest and attorneys' fees). At the end of February 2012, RFC entered into an agreement in principle to settle all of plaintiffs' remaining claims, including plaintiffs' already-awarded attorneys' fees on appeal, for a total of $17.3 million. The agreement was preliminarily approved on April 16, 2012. The hearing on final approval is scheduled for May 18, 2012.

Potential Losses - Litigation, Repurchase Obligations, and Related Claims

Litigation

As described under Legal Proceedings above, Ally and certain of its subsidiaries have been named as defendants in several cases relating to their various roles in MBS offerings.

Private-label Securitizations — Other Potential Repurchase Obligations

When our Mortgage Companies sell mortgage loans through whole-loan sales or securitizations, these entities are required to make customary representations and warranties about the loans to the purchaser and/or securitization trust. These representations and warranties relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation, and compliance with applicable laws. Generally, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time over the life of the loan, subject to applicable statutes of limitations and other similar limitations. Breaches of these representations and warranties have resulted in a requirement that the applicable Mortgage Companies repurchase mortgage loans. As the mortgage industry continues to experience higher repurchase requirements and additional investors begin to attempt to put back loans, a significant increase in activity beyond that experienced today could occur, resulting in additional future losses at our Mortgage Companies.

Potential Losses

We currently estimate that ResCap's reasonably possible losses over time related to the litigation matters and potential repurchase obligations and related claims described above could be between $0 and $4 billion over existing accruals. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material. However, as a result of ResCap's current financial position, we believe ResCap's ability to pay for any such losses is very limited. Refer to Note 1 to the Condensed Consolidated Financial Statements for a discussion of reasonably possible losses in connection with a ResCap bankruptcy filing.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the item becomes probable and the costs can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

25. Subsequent Events

Declaration of Quarterly Dividend Payments

On April 4, 2012, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $1.125 per share, or a total of $134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of $17.50 per share, or a total of $45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of $0.53 per share, or a total of $22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on May 15, 2012.

Chrysler Exclusivity Agreement

We are currently party to an agreement with Chrysler, pursuant to which Chrysler is obligated to provide us with exclusivity privileges related to certain of its retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of non-renewal, and as a result the agreement will expire on April 30, 2013.

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

Selected Financial Data

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

The following table presents selected statement of income data.

	Three months ended March 31,	
($ in millions)	**2012**	2011
Total financing revenue and other interest income	**$ 2,400**	$ 2,478
Interest expense	**1,438**	1,664
Depreciation expense on operating lease assets	**293**	270
Net financing revenue	**669**	544
Total other revenue	**1,187**	1,008
Total net revenue	**1,856**	1,552
Provision for loan losses	**140**	113
Total noninterest expense	**1,350**	1,340
Income from continuing operations before income tax expense (benefit)	**366**	99
Income tax expense (benefit) from continuing operations	**64**	(70)
Net income from continuing operations	**302**	169
Income (loss) from discontinued operations, net of tax	**8**	(23)
Net income	**$ 310**	$ 146
Basic and diluted earnings per common share:		
Net income (loss) from continuing operations	**$ 76**	$ (2)
Net income (loss)	**82**	(19)
Non-GAAP financial measures (a):		
Net income	**$ 310**	$ 146
Add: Original issue discount amortization expense (b)	**108**	326
Add: Income tax expense (benefit) from continuing operations	**64**	(70)
Less: Income (loss) from discontinued operations, net of tax	**8**	(23)
Core pretax income (a)	**$ 474**	$ 425

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

(b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange, including accelerated amortization of $30 million for the three months ended March 31, 2011 that was reported as a loss on extinguishment of debt in the Condensed Consolidated Statement of Comprehensive Income.

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The following table presents selected balance sheet and ratio data.

($ in millions)	At and for the three months ended March 31, 2012	2011
Selected period-end balance sheet data:		
Total assets	**$ 186,350**	$ 173,704
Long-term debt	**$ 93,990**	$ 88,139
Preferred stock/interests	**$ 6,940**	$ 6,940
Total equity	**$ 19,667**	$ 20,407
Financial ratios		
Efficiency ratio (a)	**72.74%**	86.34%
Core efficiency ratio (a)	**68.74%**	71.35%
Return on assets		
Net income from continuing operations	**0.66%**	0.39%
Net income	**0.68%**	0.34%
Core pretax income	**1.03%**	0.99%
Return on equity		
Net income from continuing operations	**6.24%**	3.36%
Net income	**6.40%**	2.90%
Core pretax income	**9.78%**	8.45%
Equity to assets	**10.56%**	11.72%
Net interest spread (b)	**1.24%**	0.85%
Net interest spread excluding original issue discount (b)	**1.60%**	1.86%
Net yield on interest-earning assets (c)	**1.67%**	1.46%
Net yield on interest-earning assets excluding original issue discount (c)	**1.94%**	2.26%
Regulatory capital ratios		
Tier 1 capital (to risk-weighted assets) (d)	**13.50%**	14.68%
Total risk-based capital (to risk-weighted assets) (e)	**14.53%**	15.97%
Tier 1 leverage (to adjusted quarterly average assets) (f)	**11.65%**	12.78%
Total equity	**$ 19,667**	$ 20,407
Goodwill and certain other intangibles	**(494)**	(533)
Unrealized gains and other adjustments	**(317)**	(272)
Trust preferred securities	**2,542**	2,541
Tier 1 capital (d)	**21,398**	22,143
Preferred equity	**(6,940)**	(6,940)
Trust preferred securities	**(2,542)**	(2,541)
Tier 1 common capital (non-GAAP) (g)	**$ 11,916**	$ 12,662
Risk-weighted assets (h)	**$ 158,460**	$ 150,814
Tier 1 common (to risk-weighted assets) (g)	**7.52%**	8.40%

(a) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense.
(b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
(c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
(d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
(e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
(f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
(g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
(h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Overview

Ally Financial Inc. (formerly GMAC Inc.) 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.

Discontinued Operations

During 2011, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, and Mortgage Legacy Portfolio and Other operations, and have classified certain of these operations as discontinued. For all periods presented, all of the operating results for these operations were removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information regarding our discontinued operations.

Primary Lines of Business

Our primary lines of business are Global Automotive Services and Mortgage operations. The following table summarizes the operating results excluding discontinued operations of each line of business for the three months ended March 31, 2012 and 2011. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Total net revenue (expense)			
Global Automotive Services			
North American Automotive Finance operations	**$ 854**	$ 927	**(8)**
International Automotive Finance operations	**230**	224	**3**
Insurance operations	**468**	485	**(4)**
Mortgage			
Origination and Servicing operations	**554**	323	**72**
Legacy Portfolio and Other operations	**50**	90	**(44)**
Corporate and Other	**(300)**	(497)	**40**
Total	**$ 1,856**	$ 1,552	**20**
Income (loss) from continuing operations before income tax expense (benefit)			
Global Automotive Services			
North American Automotive Finance operations	**$ 442**	$ 518	**(15)**
International Automotive Finance operations	**45**	31	**45**
Insurance operations	**124**	131	**(5)**
Mortgage			
Origination and Servicing operations	**217**	85	**155**
Legacy Portfolio and Other operations	**(26)**	(42)	**38**
Corporate and Other	**(436)**	(624)	**30**
Total	**$ 366**	$ 99	**n/m**

n/m = not meaningful

- Our Global Automotive Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Global Automotive Services consist of three separate reportable segments — North American Automotive Finance operations, International Automotive Finance operations, and Insurance operations. Our North American Automotive Finance operations include the automotive activities of Ally Bank and ResMor Trust. Our automotive finance services include acquiring or providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services.

  Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, and maintenance coverage.

  We have significantly streamlined our international presence to focus on strategic operations in five core markets: Germany, the United Kingdom, Brazil, Mexico, and China through our joint venture, GMAC-SAIC Automotive Finance Company Limited (GMAC-SAIC).

On April 25, 2012, Chrysler provided us with notification of nonrenewal for the existing agreement governing the exclusivity privileges related to certain of its retail financing subvention programs (for further discussion on our agreement, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 1, Business - Manufacturer Relationships). As a result of this notification, the agreement will expire on April 30, 2013. The nonrenewal of the existing contract does not preclude the two companies from continuing to work together in the future.

On March 22, 2012, we announced that MG Motor UK selected Ally as the preferred wholesale provider for dealerships in the United Kingdom. This agreement expands on the existing preferred retail financing relationship established in 2011.

- Our mortgage business is a leading originator and servicer of residential mortgage loans in the United States. We report our Mortgage operations as two distinct segments: (1) Origination and Servicing operations and (2) Legacy Portfolio and Other operations. These operations are conducted through the mortgage operations of Ally Bank and subsidiaries of the Residential Capital, LLC (ResCap) legal entity.

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

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

  ResCap did not make a semi-annual interest payment that was due on April 17, 2012, related to $473 million of unsecured debt principal, which matures in 2013. The interest due was $20 million. The indenture provides that a failure to pay interest on an interest payment date does not become an event of default unless such failure continues for a period of 30 days. ResCap has significant additional near-term interest and principal payments on its outstanding debt securities and credit facilities. Ally or ResCap may take additional actions with respect to ResCap as each party deems appropriate. These actions may include, among others, Ally providing or declining to provide additional liquidity and capital support for ResCap; Ally purchasing assets from ResCap; asset sales by ResCap to third parties, or other business reorganization or similar action by ResCap with respect to all or part of ResCap and/or its affiliates. This may include a reorganization under bankruptcy laws, which ResCap is actively considering. Refer to Note 1 for further details on ResCap.

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

Management's Discussion and Analysis

Consolidated Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue			
Total financing revenue and other interest income	**$ 2,400**	$ 2,478	**(3)**
Interest expense	**1,438**	1,664	**14**
Depreciation expense on operating lease assets	**293**	270	**(9)**
Net financing revenue	**669**	544	**23**
Other revenue			
Net servicing income	**319**	270	**18**
Insurance premiums and service revenue earned	**375**	399	**(6)**
Gain on mortgage and automotive loans, net	**126**	90	**40**
Loss on extinguishment of debt	**—**	(39)	**100**
Other gain on investments, net	**90**	84	**7**
Other income, net of losses	**277**	204	**36**
Total other revenue	**1,187**	1,008	**18**
Total net revenue	**1,856**	1,552	**20**
Provision for loan losses	**140**	113	**(24)**
Noninterest expense			
Compensation and benefits expense	**475**	424	**(12)**
Insurance losses and loss adjustment expenses	**159**	170	**6**
Other operating expenses	**716**	746	**4**
Total noninterest expense	**1,350**	1,340	**(1)**
Income from continuing operations before income tax expense (benefit)	**366**	99	**n/m**
Income tax expense (benefit) from continuing operations	**64**	(70)	**(191)**
Net income from continuing operations	**$ 302**	$ 169	**79**

n/m = not meaningful

We earned net income from continuing operations of $302 million for the three months ended March 31, 2012, compared to net income from continuing operations of $169 million for the three months ended March 31, 2011. Net income from continuing operations for the three months ended March 31, 2012, was favorably impacted by a decrease in interest expense related to bond maturities and normal monthly amortization, an increase in consumer automotive financing revenue driven primarily by strong origination volume during 2011, and higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs. The increase was partially offset by higher income tax expense.

Total financing revenue and other interest income decreased by 3% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease at our Mortgage Legacy Portfolio and Other operations resulted from a decline in average asset levels due to portfolio runoff and loan sales. Operating lease revenue at our North Automotive Finance operations decreased due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets. These declines were partially offset by an increase in consumer financing revenue at our North American Automotive operations driven primarily by strong loan origination volume during 2011, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales.

Interest expense decreased 14% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower OID amortization expense of $188 million related to bond maturities and normal monthly amortization.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Net servicing income was $319 million for the three months ended March 31, 2012, compared to $270 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement.

Insurance premiums and service revenue earned decreased 6% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 40% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher mortgage loan margins due to change in channel mix.

Loss on extinguishment of debt decreased $39 million for the three months ended March 31, 2012, compared to the same period in 2011. The activity in 2011 included $30 million of accelerated amortization of original issue discount related to the extinguishment of certain Ally debt.

Other income, net of losses, increased 36% for the three months ended March 31, 2012, compared to the same period in 2011. The increase for the three months ended March 31, 2012, was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was $140 million for the three months ended March 31, 2012, compared to $113 million for the same period in 2011. The increase in the three months ended March 31, 2012, reflected continued growth in the consumer and commercial automotive portfolios and a lower reserve release from the ongoing runoff of our legacy mortgage portfolio.

Compensation and benefits expense increased 12% for the three months ended March 31, 2012, compared to the same period in 2011. The increase was primarily related to a revaluation adjustment of our share-based compensation awards and an increase in headcount at Mortgage Origination and Servicing operations due to higher consumer-lending production.

Other operating expenses decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower advertising and marketing expenses and lower vehicle remarketing and repossession expense, partially offset by higher professional services expense.

Income tax expense from continuing operations was $64 million for the three months ended March 31, 2012, compared to an income tax benefit of $70 million for the same period in 2011. The increase in income tax expense during the three months ended March 31, 2012, compared to the same period in 2011, was due to the 2011 benefit being largely driven by a $101 million income tax benefit on a reversal of valuation allowance on net deferred tax assets in one of our Canadian subsidiaries that was not a recurring event in 2012.

In calculating the provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. We have a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense is driven by foreign income taxes on pretax profits within our foreign operations and U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted.

Global Automotive Services

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

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

North American Automotive Finance Operations

Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	**$ 763**	$ 668	**14**
Commercial	**322**	326	**(1)**
Loans held-for-sale	**5**	—	**100**
Operating leases	**536**	651	**(18)**
Other interest income	**18**	23	**(22)**
Total financing revenue and other interest income	**1,644**	1,668	**(1)**
Interest expense	**578**	582	**1**
Depreciation expense on operating lease assets	**291**	268	**(9)**
Net financing revenue	**775**	818	**(5)**
Other revenue			
Servicing fees	**30**	45	**(33)**
Other income	**49**	64	**(23)**
Total other revenue	**79**	109	**(28)**
Total net revenue	**854**	927	**(8)**
Provision for loan losses	**78**	46	**(70)**
Noninterest expense			
Compensation and benefits expense	**119**	116	**(3)**
Other operating expenses	**215**	247	**13**
Total noninterest expense	**334**	363	**8**
Income before income tax expense (benefit)	**$ 442**	$ 518	**(15)**
Total assets	**$ 102,894**	$ 87,662	**17**
Operating data			
Retail Originations	**$ 8,927**	$ 10,140	**(12)**
Lease Originations	**1,619**	2,219	**(27)**

Our North American Automotive Finance operations earned income before income tax expense of $442 million for the three months ended March 31, 2012, compared to $518 million for the three months ended March 31, 2011. The decrease in 2012 was primarily driven by lower operating lease remarketing gains due to lower termination volume, the run-off of legacy lease assets, lower servicing fees and remarketing fee income, and higher provision expense for loan losses. These declines were partially offset by increased consumer financing revenue driven by strong origination volume and lower operating expenses.

Consumer financing revenue increased 14% for the three months ended March 31, 2012, compared to the same period in 2011, due to an increase in consumer asset levels primarily related to strong loan origination volume, resulting primarily from increased volumes of used vehicle automotive financing and higher automotive industry sales. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Operating lease revenue decreased 18% for the three months ended March 31, 2012, compared to the same period in 2011, due to lower levels of lease units outstanding during the quarter, primarily driven by the continued wind-down of legacy lease assets.

Depreciation expense on operating lease assets increased 9% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower lease remarketing gains as a result of lower lease termination volume.

Servicing fee income decreased 33% for the three months ended March 31, 2012 compared to the same period in 2011, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of whole-loan sales.

Other income decreased 23% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform. While we continue to grow our diversified remarketing volumes with third parties, the growth was offset by reductions in remarketing volume from our off-lease vehicles and repossessed assets.

The provision for loan losses was $78 million for the three months ended March 31, 2012, compared to $46 million for the same period in 2011. The increase for the three months ended March 31, 2012, was primarily due to continued growth in consumer and commercial loans. Overall portfolio credit quality remains strong and continues to benefit from favorable pricing in the used vehicle market.

Other operating expenses decreased 13% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was a result of lower expense related to automotive manufacturer exclusivity arrangements and lower costs associated with reduced lease termination volumes, including lower vehicle remarketing expenses.

International Automotive Finance Operations

Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	**$ 304**	$ 287	**6**
Commercial	**93**	104	**(11)**
Operating leases	**4**	4	**—**
Other interest income	**17**	26	**(35)**
Total financing revenue and other interest income	**418**	421	**(1)**
Interest expense	**252**	253	**—**
Depreciation expense on operating lease assets	**2**	2	**—**
Net financing revenue	**164**	166	**(1)**
Other revenue			
Other income	**66**	58	**14**
Total other revenue	**66**	58	**14**
Total net revenue	**230**	224	**3**
Provision for loan losses	**47**	37	**(27)**
Noninterest expense			
Compensation and benefits expense	**44**	44	**—**
Other operating expenses	**94**	112	**16**
Total noninterest expense	**138**	156	**12**
Income from continuing operations before income tax expense (benefit)	**$ 45**	$ 31	**45**
Total assets	**$ 16,054**	$ 16,295	**(1)**
Operating data			
Consumer originations (a) (b)	**$ 2,294**	$ 1,898	**21**

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

Our International Automotive Finance operations earned income from continuing operations before income tax expense of $45 million during the three months ended March 31, 2012, compared to $31 million during the three months ended March 31, 2011. The increase for the three months ended March 31, 2012, was primarily a result of lower operating expenses driven by lower legal costs in Latin America, our continued focus on cost reduction, and higher income earned from our China joint venture.

Total financing revenue and other interest income decreased $3 million during the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to unfavorable movements in foreign-currency exchange rates on our consumer and commercial portfolios, which were partially offset by stronger originations, primarily in Brazil.

Other income increased 14% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher earnings from our China joint venture and higher income on other assets in Brazil.

The provision for loan losses increased $10 million for the three months ended March 31, 2012, compared to the same period in 2011. The increase in provision is related to increased reserves as a result of a cautious economic outlook in Europe and Latin America.

Other operating expenses decreased 16% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to lower legal expenses in Latin America.

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Automotive Financing Volume

Consumer Automotive Financing Volume

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

Three months ended March 31, (*units in thousands*)	Ally consumer automotive financing volume 2012	2011	% Share of consumer sales 2012	2011
GM new vehicles				
North America	**157**	266	**32**	51
International (excluding China) (a)	**97**	75	**30**	24
China (b)	**24**	25	**8**	10
Total GM new units financed	**278**	366		
Chrysler new vehicles				
North America	**82**	75	**26**	30
International (excluding China)	**—**	—		
Total Chrysler new units financed	**82**	75		
Other non-GM / Chrysler new vehicles				
North America	**21**	19		
International (excluding China)	**1**	1		
China (b)	**23**	21		
Total other non-GM / Chrysler new units financed	**45**	41		
Used vehicles				
North America	**141**	125		
International (excluding China)	**10**	9		
China (b)	**—**	—		
Total used units financed	**151**	134		
Total consumer automotive financing volume	**556**	616		

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

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

The decline in consumer automotive financing volume during the three months ended March 31, 2012, compared to the same period in 2011, was primarily driven by lower retail penetration at both GM and Chrysler in North America. Despite the overall decrease between periods, both used and diversified originations increased due to our continued strategic focus within these markets. The decrease in North American GM penetration was due to a change in automotive manufacturers' incentive strategy and a decrease in Ally-exclusive incentives. The decrease in North American Chrysler penetration was the result of increased competition. The increases and favorable penetration levels in our International operations were primarily due to aggressive manufacturer marketing incentive programs coupled with existing Ally campaigns and more competitive pricing.

Manufacturer Marketing Incentives

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

Three months ended March 31,	**2012**	2011
GM subvented volume in North America		
As % of GM North American new retail and lease volume acquired by Ally	**62%**	46%
As % of total North American new and used retail and lease volume acquired by Ally	**24%**	25%
GM subvented International (excluding China) volume (a)		
As % of GM International new retail and lease volume acquired by Ally	**71%**	61%
As % of total International new and used retail and lease volume acquired by Ally	**64%**	54%
GM subvented volume in China (b)		
As % of GM China new retail and lease volume acquired by Ally	**2%**	1%
As % of total China new and used retail and lease volume acquired by Ally	**1%**	1%

(a) Represents subvention for continuing operations only.

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

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

Three months ended March 31,	**2012**	2011
Chrysler subvented volume in North America		
As % of Chrysler North American new retail and lease volume acquired by Ally	**50%**	48%
As % of total North American new and used retail and lease volume acquired by Ally	**10%**	7%

During the three months ended March 31, 2012, North American retail contracts acquired that included rate subvention from GM and Chrysler increased as a percentage of total new retail contracts acquired as compared to the same period in 2011 due to a change in the mix of manufacturer marketing incentives away from non-rate programs. International retail contracts acquired from GM that included rate and residual subvention increased as a result of aggressive GM campaigns in various international markets.

For further discussion of our manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

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Commercial Wholesale Financing Volume

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

	Average balance		% Share of dealer inventory	
Three months ended March 31, (*$ in millions*)	**2012**	2011	**2012**	2011
GM new vehicles				
North America (a)	**$ 16,243**	$ 15,413	**72**	84
International (excluding China) (b) (c)	**4,204**	3,830	**77**	76
China (b) (d)	**1,443**	884	**80**	81
Total GM new vehicles financed	**21,890**	20,127		
Chrysler new vehicles				
North America (a)	**7,755**	7,182	**60**	68
International	**20**	21		
Total Chrysler new vehicles financed	**7,775**	7,203		
Other non-GM / Chrysler new vehicles				
North America	**2,365**	2,215		
International (excluding China)	**72**	131		
China (d)	**5**	—		
Total other non-GM / Chrysler new vehicles financed	**2,442**	2,346		
Used vehicles				
North America	**3,215**	3,076		
International (excluding China)	**169**	135		
Total used vehicles financed	**3,384**	3,211		
Total commercial wholesale finance receivables	**$ 35,491**	$ 32,887		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).
(b) Share of dealer inventory based on wholesale financing share of GM shipments.
(c) Excludes commercial wholesale finance receivables and dealer inventory of discontinued and wind-down operations as well as dealer inventory for other countries in which GM operates and we had no commercial wholesale finance receivables.
(d) Represents vehicles financed through our joint venture GMAC-SAIC. We own 40% of GMAC-SAIC alongside Shanghai Automotive Group Finance Company LTD and Shanghai General Motors Corporation LTD.

Commercial wholesale financing average volume increased for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to growing dealer inventories required to support increasing global automobile sales. North American GM and Chrysler wholesale penetration decreased for the three months ended March 31, 2012, compared to the same period in 2011, due to increased competition in the wholesale marketplace.

Insurance Operations

Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Insurance premiums and other income			
Insurance premiums and service revenue earned	**$ 371**	$ 393	**(6)**
Investment income	**82**	79	**4**
Other income	**15**	13	**15**
Total insurance premiums and other income	**468**	485	**(4)**
Expense			
Insurance losses and loss adjustment expenses	**155**	157	**1**
Acquisition and underwriting expense			
Compensation and benefits expense	**25**	27	**7**
Insurance commissions expense	**116**	122	**5**
Other expenses	**48**	48	**—**
Total acquisition and underwriting expense	**189**	197	**4**
Total expense	**344**	354	**3**
Income from continuing operations before income tax expense (benefit)	**$ 124**	$ 131	**(5)**
Total assets	**$ 8,394**	$ 9,024	**(7)**
Insurance premiums and service revenue written	**$ 373**	$ 374	**—**
Combined ratio (a)	**89.7%**	87.4%	

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

Our Insurance operations earned income from continuing operations before income tax expense of $124 million for the three months ended March 31, 2012, compared to $131 million for the three months ended March 31, 2011. The decrease was primarily attributable to lower insurance premiums and service revenue earned.

Total insurance premiums and other income decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower insurance premiums and service revenue earned resulting from declining U.S. extended service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Insurance losses and loss adjustment expenses totaled $155 million for the three months ended March 31, 2012, compared to $157 million for the three months ended March 31, 2011. The decrease was driven primarily by decreased volume of our U.S. extended service contracts. This decrease was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 4% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily due to lower commissions expense in our U.S. dealership-related products matching our decrease in earned premiums.

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

($ in millions)	Three months ended March 31, 2012	2011
Vehicle service contracts		
New retail	**$ 94**	$ 90
Used retail	**134**	129
Reinsurance	**(31)**	(25)
Total vehicle service contracts	**197**	194
Wholesale	**20**	22
Other finance and insurance (a)	**33**	30
North American operations	**250**	246
International operations	**123**	128
Total	**$ 373**	$ 374

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

Insurance premiums and service revenue written was $373 million for the three months ended March 31, 2012, compared to $374 million for the same period in 2011. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. As such, the majority of earnings from vehicle service contracts written during the three months ended March 31, 2012, will be recognized as income in future periods.

Cash and Investments

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

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

($ in millions)	March 31, 2012	December 31, 2011
Cash		
Noninterest-bearing cash	**$ 234**	$ 211
Interest-bearing cash	**1,053**	629
Total cash	**1,287**	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**398**	496
Foreign government	**758**	678
Mortgage-backed	**466**	590
Asset-backed	**137**	95
Corporate debt	**1,551**	1,491
Other debt	**21**	23
Total debt securities	**3,331**	3,373
Equity securities	**969**	1,054
Total available-for-sale securities	**4,300**	4,427
Total cash and securities	**$ 5,587**	$ 5,267

Mortgage Operations

Our Mortgage operations include the ResCap legal entity and the mortgage operations of Ally Bank (Refer to Note 1 for further details on ResCap). Results from continuing operations for our Mortgage operations are presented by reportable segment, which includes our Origination and Servicing operations and our Legacy Portfolio and Other operations.

Origination and Servicing Operations

Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue (loss)			
Total financing revenue and other interest income	**$ 104**	$ 101	**3**
Interest expense	**97**	118	**18**
Net financing revenue (loss)	**7**	(17)	**141**
Servicing fees	**281**	312	**(10)**
Servicing asset valuation and hedge activities, net	**9**	(87)	**110**
Total servicing income, net	**290**	225	**29**
Gain on mortgage loans, net	**126**	72	**75**
Other income, net of losses	**131**	43	**n/m**
Total other revenue	**547**	340	**61**
Total net revenue	**554**	323	**72**
Provision for loan losses	**1**	2	**50**
Noninterest expense			
Compensation and benefits expense	**86**	65	**(32)**
Representation and warranty expense	**11**	(2)	**n/m**
Other operating expenses	**239**	173	**(38)**
Total noninterest expense	**336**	236	**(42)**
Income before income tax expense (benefit)	**$ 217**	$ 85	**155**
Total assets	**$ 19,556**	$ 18,714	**4**

n/m = not meaningful

Our Origination and Servicing operations earned income before income tax expense of $217 million for the three months ended March 31, 2012, compared to income before income tax expense of $85 million for the three months ended March 31, 2011. The increase was primarily driven by favorable servicing asset valuation, net of hedge, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans.

Net financing revenue was $7 million for the three months ended March 31, 2012, compared to net financing loss of $17 million for the same period in 2011. The increase in net financing revenue was primarily due to lower funding costs.

Total servicing income, net was $290 million for the three months ended March 31, 2012, compared to $225 million for the same period in 2011. The servicing valuation in 2011 was unfavorably impacted by an adjustment related to higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order. The increase was also due to favorable market movement.

The net gain on mortgage loans increased 75% for the three months ended March 31, 2012, compared to the same period in 2011, primarily due to higher margins due to change in channel mix.

Other income, net of losses, was $131 million for the three months ended March 31, 2012, compared to $43 million for the same period in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage lending-production associated with government-sponsored refinancing programs.

Total noninterest expense increased 42% for the three months ended March 31, 2012, compared to the same periods in 2011. The increase was primarily driven by higher compensation and benefits expense related to an increase in headcount due to higher consumer mortgage-lending production, higher consulting charges related to the foreclosure review process, and higher legal fees.

Legacy Portfolio and Other Operations

Results of Operations

The following table summarizes the operating results for our Legacy Portfolio and Other operations excluding discontinued operations for the periods shown. Our Legacy Portfolio and Other operations primarily consists of loans originated prior to January 1, 2009, and includes noncore business activities, portfolios in runoff, and cash held in the ResCap legal entity (Refer to Note 1 for further details on ResCap). These activities included, among other things: lending to real estate developers and homebuilders in the United States and United Kingdom; purchasing, selling and securitizing nonconforming residential mortgage loans (with the exception of U.S. prime jumbo mortgage loans) in both the United States and internationally; certain conforming origination channels closed in 2008; and our mortgage reinsurance business.

	Three months ended March 31,		
($ in millions)	**2012**	2011	**Favorable/ (unfavorable) % change**
Net financing revenue			
Total financing revenue and other interest income	**$ 155**	$ 198	**(22)**
Interest expense	**105**	121	**13**
Net financing revenue	**50**	77	**(35)**
Servicing fees	**(1)**	(1)	**—**
Servicing asset valuation and hedge activities, net	**—**	—	**—**
Total servicing income, net	**(1)**	(1)	**—**
Gain on mortgage loans, net	**5**	18	**(72)**
Other income, net of losses	**(4)**	(4)	**—**
Total other revenue	**—**	13	**(100)**
Total net revenue	**50**	90	**(44)**
Provision for loan losses	**26**	45	**42**
Noninterest expense			
Compensation and benefits expense	**38**	36	**(6)**
Representation and warranty expense	**8**	28	**71**
Other operating expenses	**4**	23	**83**
Total noninterest expense	**50**	87	**43**
Loss from continuing operations before income tax expense (benefit)	**$ (26)**	$ (42)	**38**
Total assets	**$ 10,523**	$ 12,259	**(14)**

Our Legacy Portfolio and Other operations incurred a loss from continuing operations before income tax expense of $26 million for the three months ended March 31, 2012, compared to a loss from continuing operations before income tax expense of $42 million for the three months ended March 31, 2011. The loss during 2012 was favorably impacted by lower representation and warranty expense and a lower provision for loan losses. Offsetting the improvement during the three months ended March 31, 2012, was lower net financing revenue related to a decline in asset levels.

Net financing revenue was $50 million for the three months ended March 31, 2012, compared to $77 million for the same period in 2011. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels due to portfolio runoff and loan sales in 2011. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

The net gain on mortgage loans was $5 million for the three months ended March 31, 2012 compared to $18 million for the same period in 2011. The decrease during 2012 was primarily due to lower sales of domestic legacy assets and lower volume of mortgage loan resolutions.

The provision for loan losses was $26 million for the three months ended March 31, 2012, compared to $45 million for the same period in 2011. The decrease in the provision for the three months ended March 31, 2012, reflected improved credit performance, partially offset by a lower reserve release.

Total noninterest expense decreased 43% for the three months ended March 31, 2012, compared to the same period in 2011. The decrease was primarily driven by lower representation and warranty expense and lower losses related to captive reinsurance activities.

Management's Discussion and Analysis

Mortgage Loan Production and Servicing

Mortgage loan production for our Origination and Servicing operations was $8.6 billion for the three months ended March 31, 2012, compared to $11.8 billion for the same period in 2011. Loan production decreased $3.3 billion, or 27%, for the three months ended March 31, 2012, compared to the same period in 2011. The decline in loan production was largely driven by our reduced presence in the correspondent lending channel, partially offset by increased volume in our direct channels associated with government-sponsored refinancing programs.

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

	2012		2011	
Three months ended March 31, *($ in millions)*	**Number of loans**	**Dollar amount of loans**	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	**31,031**	**$ 6,643**	45,431	$ 9,926
Prime nonconforming	**578**	**464**	455	384
Prime second-lien	**—**	**—**	—	—
Government	**6,821**	**1,489**	7,537	1,537
Nonprime	**—**	**—**	—	—
Total U.S. production by product type	**38,430**	**$ 8,596**	53,423	$ 11,847
U.S. production by channel				
Direct lending	**17,792**	**$ 3,690**	7,014	$ 1,369
Correspondent lender and secondary market purchases	**17,029**	**3,953**	45,543	10,270
Mortgage brokers	**3,609**	**953**	866	208
Total U.S. production by channel	**38,430**	**$ 8,596**	53,423	$ 11,847

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

($ in millions)	**March 31, 2012**	December 31, 2011
U.S. primary servicing portfolio		
Prime conforming	**$ 217,682**	$ 226,239
Prime nonconforming	**46,051**	47,767
Prime second-lien	**6,069**	6,871
Government	**48,033**	49,027
Nonprime	**20,147**	20,753
International primary servicing portfolio	**5,922**	5,773
Total primary servicing portfolio (a)	**$ 343,904**	$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled $28.4 billion and $26.4 billion at March 31, 2012, and December 31, 2011, respectively.

For more information regarding our serviced mortgage assets, refer to Note 11 to the Condensed Consolidated Financial Statements.

Loans Outstanding

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

($ in millions)	**March 31, 2012**	December 31, 2011
Prime conforming	**$ 1,402**	$ 3,034
Prime nonconforming	**—**	—
Prime second-lien	**—**	—
Government (a)	**2,969**	3,274
Nonprime	**—**	—
International	**—**	—
Total	**4,371**	6,308
Net premiums	**30**	80
Fair value option election adjustment	**28**	87
Lower-of-cost or fair value adjustment	**(6)**	(5)
Total, net	**$ 4,423**	$ 6,470

(a) Includes loans subject to conditional repurchase options of $2.3 billion and $2.3 billion sold to Ginnie Mae-guaranteed securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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

($ in millions)	**March 31, 2012**	December 31, 2011
Prime conforming	**$ —**	$ —
Prime nonconforming	**3,013**	2,815
Prime second-lien	**—**	—
Government	**—**	—
Nonprime	**—**	—
International	**—**	—
Total	**3,013**	2,815
Net premiums	**23**	20
Fair value option election adjustment	**—**	—
Allowance for loan losses	**(18)**	(16)
Total, net	**$ 3,018**	$ 2,819

Management's Discussion and Analysis

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

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ 312	$ 311
Prime nonconforming	562	571
Prime second-lien	527	545
Government	22	20
Nonprime	546	561
International	43	17
Total (a)	2,012	2,025
Net discounts	(306)	(301)
Fair value option election adjustment	(32)	(27)
Lower-of-cost or fair value adjustment	(50)	(55)
Total, net (b)	$ 1,624	$ 1,642

(a) Includes unpaid principal write-down of $1.4 billion and $1.5 billion at March 31, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(b) Includes loans subject to conditional repurchase options of $99 million and $106 million sold to off-balance sheet private-label securitizations at March 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

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

($ in millions)	March 31, 2012	December 31, 2011
Prime conforming	$ 268	$ 278
Prime nonconforming	5,108	5,254
Prime second-lien	2,104	2,200
Government	—	—
Nonprime	1,299	1,349
International	441	422
Total	9,220	9,503
Net premiums	17	18
Fair value option election adjustment	(1,554)	(1,601)
Allowance for loan losses	(463)	(479)
Total, net (a)	$ 7,220	$ 7,441

(a) At March 31, 2012, and December 31, 2011, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled $832 million and $837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Foreclosure Matters

Refer to Note 24 to the Condensed Consolidated Financial Statements for information related to these matters.

Corporate and Other

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

($ in millions)	Three months ended March 31, 2012	2011	Favorable/ (unfavorable) % change
Net financing loss			
Total financing revenue and other interest income	**$ 38**	$ 47	**(19)**
Interest expense			
Original issue discount amortization	**111**	299	**63**
Other interest expense	**274**	270	**(1)**
Total interest expense	**385**	569	**32**
Net financing loss	**(347)**	(522)	**34**
Other revenue			
Loss on extinguishment of debt	**—**	(39)	**100**
Other gain on investments, net	**24**	25	**(4)**
Other income, net of losses	**23**	39	**(41)**
Total other revenue	**47**	25	**88**
Total net expense	**(300)**	(497)	**40**
Provision for loan losses	**(12)**	(17)	**(29)**
Noninterest expense			
Compensation and benefits expense	**163**	136	**(20)**
Other operating expense	**(15)**	8	**n/m**
Total noninterest expense	**148**	144	**(3)**
Loss from continuing operations before income tax expense (benefit)	**$ (436)**	$ (624)	**30**
Total assets	**$ 28,929**	$ 29,750	**(3)**

n/m = not meaningful

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

($ in millions)	Three months ended March 31, 2012	2011
Original issue discount amortization		
2008 bond exchange amortization	**$ (104)**	$ (286)
Other debt issuance discount amortization	**(7)**	(13)
Total original issue discount amortization (a)	**(111)**	(299)
Net impact of the funds transfer pricing methodology		
Cost of liquidity	**(166)**	(184)
Funds-transfer pricing / cost of funds mismatch	**(147)**	(109)
Benefit of net non-earning assets	**58**	41
Total net impact of the funds transfer pricing methodology	**(255)**	(252)
Other (including Commercial Finance Group net financing revenue)	**19**	29
Total net financing losses for Corporate and Other	**$ (347)**	$ (522)
Outstanding original issue discount balance	**$ 2,093**	$ 2,840

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

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The following table presents the scheduled remaining amortization of the original issue discount at March 31, 2012.

Year ended December 31, *($ in millions)*	2012 (a)	2013	2014	2015	2016	2017 and thereafter (b)	Total
Original issue discount							
Outstanding balance	$ 1,853	$ 1,588	$ 1,396	$ 1,336	$ 1,272	$ —	
Total amortization (c)	240	265	192	60	64	1,272	$ 2,093
2008 bond exchange amortization (d)	216	241	166	43	53	1,125	1,844

(a) Represents the remaining future original issue discount amortization expense to be taken during 2012.
(b) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.
(c) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.
(d) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was $436 million for the three months ended March 31, 2012, compared to $624 million for the three months ended March 31, 2011. Corporate and Other’s loss from continuing operations before income tax expense is driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios and other unassigned funding costs and unassigned equity.

The improvement in the loss from continuing operations before income tax expense for the three months ended March 31, 2012, was primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the three months ended March 31, 2012, compared to $30 million for the three months ended March 31, 2011. The improvement was partially offset by an increase in compensation and benefits expense related to a revaluation adjustment of our share-based compensation awards.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $31 million for the three months ended March 31, 2012, compared to $51 million for the three months ended March 31, 2011. The decrease was primarily due to lower net financing revenue driven by lower average asset levels.

Cash and Securities

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

($ in millions)	**March 31, 2012**	December 31, 2011
Cash		
Noninterest-bearing cash	**$ 1,541**	$ 1,768
Interest-bearing cash	**9,577**	9,781
Total cash	**11,118**	11,549
Trading securities		
Mortgage-backed	**863**	589
Total trading securities	**863**	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**1,046**	1,051
States and political subdivisions	**1**	1
Foreign government	**107**	106
Mortgage-backed	**6,353**	6,722
Asset-backed	**2,570**	2,520
Other debt (a)	**561**	305
Total debt securities	**10,638**	10,705
Equity securities	**4**	4
Total available-for-sale securities	**10,642**	10,709
Total cash and securities	**$ 22,623**	$ 22,847

(a) Includes intersegment eliminations.

Risk Management

Managing the risk to reward trade-off is a fundamental component of operating our businesses. Our risk management process is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, market, lease residual, operational, liquidity, country and legal and compliance risk. For more information on our risk management process, refer to the Risk Management MD&A section of our 2011 Annual Report on Form 10-K.

Loan and Lease Exposure

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

($ in millions)	**March 31, 2012**	December 31, 2011
Finance receivables and loans		
Global Automotive Services	**$ 106,321**	$ 100,734
Mortgage operations	**12,208**	12,753
Corporate and Other	**1,289**	1,268
Total finance receivables and loans	**119,818**	114,755
Held-for-sale loans		
Global Automotive Services	**623**	425
Mortgage operations	**6,047**	8,112
Corporate and Other	**—**	20
Total held-for-sale loans	**6,670**	8,557
Total on-balance sheet loans	**$ 126,488**	$ 123,312
Off-balance sheet securitized loans		
Global Automotive Services	**$ —**	$ —
Mortgage operations	**316,846**	326,975
Corporate and Other	**—**	—
Total off-balance sheet securitized loans	**$ 316,846**	$ 326,975
Operating lease assets		
Global Automotive Services	**$ 10,048**	$ 9,275
Mortgage operations	**—**	—
Corporate and Other	**—**	—
Total operating lease assets	**$ 10,048**	$ 9,275
Serviced loans and leases		
Global Automotive Services	**$ 127,545**	$ 122,881
Mortgage operations (a)	**343,904**	356,430
Corporate and Other	**1,709**	1,762
Total serviced loans and leases	**$ 473,158**	$ 481,073

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

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

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a borrower in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses and have committees in place to oversee all aspects of the credit decisioning and management processes. The Ally Global Credit Risk Committee (GCRC) is chaired by the Chief Risk Officer and is responsible for identifying, measuring, monitoring, and controlling the credit risks while also permitting acceptable variations for a specific line of business with proper approval. The GCRC reports to the Ally Risk and Compliance Committee (RCC), which is chaired by an independent member of the Board. The Global Risk organization is responsible for managing credit risk exposures in a safe-and-sound manner within the guidelines and targets jointly approved by the GCRC and RCC. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit risk portfolios and credit risk management practices by directly reporting its findings to the RCC on recurring basis.

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

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

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

During the first three months of 2012, the U.S. economy continued to expand modestly and the labor market further recovered. Within the U.S. automotive and mortgage portfolios, encouraging trends include increased industry sales and strong pricing in used vehicles. We continue to be cautious due to higher average gasoline prices and their effect on automobile sales and the uncertainty emanating from weaker economic growth in Europe and other key international markets. However, we have seen signs of economic stabilization in housing, and have also seen improvement in our loan portfolio as a result of our proactive credit risk initiatives.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At March 31, 2012, this primarily included $107.0 billion of automobile finance receivables and loans and $18.3 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Comprehensive Income.

During the three months ended March 31, 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Consumer						
Finance receivables and loans						
Loans at historical cost	**$ 77,172**	$ 73,452	**$ 543**	$ 567	**$ 4**	$ 4
Loans at fair value	**832**	835	**214**	210	**—**	—
Total finance receivables and loans	**78,004**	74,287	**757**	777	**4**	4
Loans held-for-sale	**6,670**	8,537	**2,768**	2,820	**73**	73
Total consumer loans	**84,674**	82,824	**3,525**	3,597	**77**	77
Commercial						
Finance receivables and loans						
Loans at historical cost	**41,814**	40,468	**302**	339	**—**	—
Loans at fair value	**—**	—	**—**	—	**—**	—
Total finance receivables and loans	**41,814**	40,468	**302**	339	**—**	—
Loans held-for-sale	**—**	20	**—**	—	**—**	—
Total commercial loans	**41,814**	40,488	**302**	339	**—**	—
Total on-balance sheet loans	**$ 126,488**	$ 123,312	**$ 3,827**	$ 3,936	**$ 77**	$ 77

(a) Includes nonaccrual troubled debt restructured loans of $1.0 billion and $934 million at March 31, 2012, and December 31, 2011, respectively.
(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes troubled debt restructured loans classified as 90 days past due and still accruing of $45 million and $42 million at March 31, 2012, and December 31, 2011, respectively.

Total on-balance sheet loans outstanding at March 31, 2012, increased $3.2 billion to $126.5 billion from December 31, 2011 reflecting an increase of $1.9 billion in the consumer portfolio and a increase of $1.3 billion in the commercial portfolio. The increase in total on-balance sheet loans outstanding was primarily driven by strong automobile consumer loan originations which outpaced portfolio runoff and higher dealer floorplan loans, both primarily due to increased automotive industry sales.

The total TDRs outstanding at March 31, 2012, increased $207 million to $2.2 billion from December 31, 2011. This increase was driven primarily by our continued foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at March 31, 2012, decreased $109 million to $3.8 billion from December 31, 2011, reflecting a decrease of $72 million of consumer nonperforming loans and a decrease of $37 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was largely due to seasonal improvements within our consumer mortgage portfolio and continued improvement in the performance of our commercial automobile dealers.

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

	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	**2012**	2011	**2012**	2011
Consumer				
Finance receivables and loans at historical cost	**$ 117**	$ 169	**0.6 %**	1.0%
Commercial				
Finance receivables and loans at historical cost	**(10)**	20	**(0.1)**	0.2
Total finance receivables and loans at historical cost	**$ 107**	$ 189	**0.4**	0.7

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

Our net charge-offs were $107 million for the three months ended March 31, 2012, compared to $189 million for the three months ended March 31, 2011. This decline was primarily due to reduced net charge-offs in the consumer automobile portfolio. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

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

Consumer Credit Portfolio

During the three months ended March 31, 2012, the credit performance of the consumer portfolio continued to improve overall as our nonperforming finance receivables and loans and charge-offs declined. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

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

	Outstanding		**Nonperforming (a)**		**Accruing past due 90 days or more (b)**	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Domestic						
Consumer automobile	**$ 49,444**	$ 46,576	**$ 135**	$ 139	**$ —**	$ —
Consumer mortgage						
1st Mortgage	**6,929**	6,867	**238**	258	**1**	1
Home equity	**3,020**	3,102	**52**	58	**—**	—
Total domestic	**59,393**	56,545	**425**	455	**1**	1
Foreign						
Consumer automobile	**17,770**	16,883	**110**	89	**3**	3
Consumer mortgage						
1st Mortgage	**9**	24	**8**	23	**—**	—
Home equity	**—**	—	**—**	—	**—**	—
Total foreign	**17,779**	16,907	**118**	112	**3**	3
Total consumer finance receivables and loans	**$ 77,172**	$ 73,452	**$ 543**	$ 567	**$ 4**	$ 4

(a) Includes nonaccrual troubled debt restructured loans of $170 million and $180 million at March 31, 2012, and December 31, 2011, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans increased $3.7 billion at March 31, 2012 compared with December 31, 2011. This increase was driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales.

Total consumer nonperforming finance receivables and loans at March 31, 2012, decreased $24 million to $543 million from December 31, 2011, reflecting a decrease of $42 million of consumer mortgage nonperforming finance receivables and loans and an increase of $18 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased primarily due to seasonal improvements. Nonperforming consumer automotive finance receivables and loans increased largely due to economic stresses in certain areas in Latin America. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.7% and 0.8% at March 31, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more decreased $240 million to $543 million at March 31, 2012, compared with December 31, 2011, primarily due to seasonality.

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

	Three months ended March 31,			
	Net charge-offs		Net charge-off ratios (a)	
($ in millions)	**2012**	2011	**2012**	2011
Domestic				
Consumer automobile	**$ 54**	$ 89	**0.4%**	1.0%
Consumer mortgage				
1st Mortgage	**23**	36	**1.4**	2.1
Home equity	**20**	21	**2.6**	2.5
Total domestic	**97**	146	**0.7**	1.2
Foreign				
Consumer automobile	**20**	23	**0.4**	0.6
Consumer mortgage				
1st Mortgage	**—**	—	**—**	—
Home equity	**—**	—	**—**	—
Total foreign	**20**	23	**0.5**	0.5
Total consumer finance receivables and loans	**$ 117**	$ 169	**0.6**	1.0

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

Our net charge-offs from total consumer automobile finance receivables and loans decreased $38 million for the three months ended March 31, 2012, compared to the same period in 2011. The decrease in net charge-offs was primarily due to lower loss frequency reflecting the modest U.S. economic improvements and reduced loss severity due to strong used vehicle pricing.

Our net charge-offs from total consumer mortgage receivables and loans were $43 million for the three months ended March 31, 2012, compared to $57 million for the same period in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

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

	Three months ended March 31,	
($ in millions)	**2012**	2011
Domestic		
Consumer automobile	**$ 8,108**	$ 9,384
Consumer mortgage		
1st Mortgage	**8,596**	11,847
Home equity	**—**	—
Total domestic	**16,704**	21,231
Foreign		
Consumer automobile	**2,544**	2,064
Consumer mortgage		
1st Mortgage	**—**	312
Home equity	**—**	—
Total foreign	**2,544**	2,376
Total consumer loan originations	**$ 19,248**	$ 23,607

Total domestic automobile-originated loans decreased $1.3 billion for the three months ended March 31, 2012, respectively, compared to the same period in 2011, primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

Total domestic mortgage-originated loans decreased $3.3 billion for the three months ended March 31, 2012. The decrease for the three months ended March 31, 2012 was driven by the reduction in correspondent lending.

Consumer loan originations retained on-balance sheet as held-for-investment were $11.1 billion for the three months ended March 31, 2012, and $11.8 billion for the three months ended March 31, 2011. The decrease was primarily due to lower retail penetration and manufacturer incentives at both GM and Chrysler.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were $67.2 billion and $63.5 billion at March 31, 2012, and December 31, 2011, respectively. Total mortgage and home equity loans were $10.0 billion at both March 31, 2012, and December 31, 2011.

	March 31, 2012 (a)		December 31, 2011	
	Automobile	**1st Mortgage and home equity**	Automobile	1st Mortgage and home equity
Texas	**9.5%**	**5.7%**	9.5%	5.5%
California	**4.4**	**26.4**	4.6	25.7
Florida	**4.8**	**3.9**	4.8	4.0
Michigan	**3.9**	**4.7**	4.0	4.8
Pennsylvania	**3.6**	**1.6**	3.6	1.6
Illinois	**3.1**	**4.9**	3.1	5.0
New York	**3.5**	**2.2**	3.5	2.3
Ohio	**2.9**	**1.0**	2.9	1.0
Georgia	**2.5**	**1.8**	2.5	1.8
North Carolina	**2.2**	**2.0**	2.2	2.1
Other United States	**33.0**	**45.7**	32.9	45.9
Canada	**11.4**	**—**	11.8	0.2
Brazil	**4.8**	**—**	4.7	—
Germany	**4.1**	**—**	4.3	—
Other foreign	**6.3**	**0.1**	5.6	0.1
Total consumer loans	**100.0%**	**100.0%**	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at March 31, 2012.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 16.3% of our total outstanding consumer finance receivables and loans at March 31, 2012.

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

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

Repossessed assets in our Automotive Finance operations at March 31, 2012, decreased $4 million to $52 million from December 31, 2011. Foreclosed mortgage assets at March 31, 2012, decreased $9 million to $68 million from December 31, 2011.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and teaser-rate mortgages (prime or nonprime).

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

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

	Outstanding		Nonperforming		Accruing past due 90 days or more	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Interest-only mortgage loans (a)	**$ 2,828**	$ 2,947	**$ 130**	$ 147	**$ —**	$ —
Below-market rate (teaser) mortgages	**240**	248	**6**	6	**—**	—
Total higher-risk mortgage loans	**$ 3,068**	$ 3,195	**$ 136**	$ 153	**$ —**	$ —

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

The allowance for loan losses was $153 million or 4.98% of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loans losses at March 31, 2012.

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

($ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	All higher-risk mortgage loans
March 31, 2012			
California	**$ 708**	**$ 76**	**$ 784**
Virginia	**270**	**11**	**281**
Maryland	**208**	**6**	**214**
Michigan	**194**	**8**	**202**
Illinois	**148**	**7**	**155**
Other United States	**1,300**	**132**	**1,432**
Total higher-risk mortgage loans	**$ 2,828**	**$ 240**	**$ 3,068**
December 31, 2011			
California	$ 748	$ 78	$ 826
Virginia	274	10	284
Maryland	217	6	223
Michigan	199	9	208
Illinois	153	8	161
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	$ 2,947	$ 248	$ 3,195

Commercial Credit Portfolio

During the three months ended March 31, 2012, the credit performance of the commercial portfolio improved as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011	**March 31, 2012**	December 31, 2011
Domestic						
Commercial and industrial						
Automobile	**$ 28,197**	$ 26,552	**$ 109**	$ 105	**$ —**	$ —
Mortgage	**1,377**	1,887	**—**	—	**—**	—
Other (c)	**1,204**	1,178	**21**	22	**—**	—
Commercial real estate						
Automobile	**2,372**	2,331	**49**	56	**—**	—
Mortgage	**—**	—	**—**	—	**—**	—
Total domestic	**33,150**	31,948	**179**	183	**—**	—
Foreign						
Commercial and industrial						
Automobile	**8,407**	8,265	**65**	118	**—**	—
Mortgage	**26**	24	**26**	—	**—**	—
Other (c)	**56**	63	**12**	15	**—**	—
Commercial real estate						
Automobile	**160**	154	**5**	11	**—**	—
Mortgage	**15**	14	**15**	12	**—**	—
Total foreign	**8,664**	8,520	**123**	156	**—**	—
Total commercial finance receivables and loans	**$ 41,814**	$ 40,468	**$ 302**	$ 339	**$ —**	$ —

(a) Includes nonaccrual troubled debt restructured loans of $52 million and $21 million at March 31, 2012, and December 31, 2011, respectively.
(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at March 31, 2012 and December 31, 2011.
(c) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding increased $1.3 billion to $41.8 billion at March 31, 2012, from December 31, 2011. Commercial and industrial outstandings increased $1.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories partially offset by mortgage warehouse lending declines in line utilization due to seasonality.

Total commercial nonperforming finance receivables and loans were $302 million at March 31, 2012, a decrease of $37 million compared to December 31, 2011, primarily due to improvement in dealer performance and continued wind-down on non-core commercial assets. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans were 0.7% and 0.8% at March 31, 2012, and December 31, 2011, respectively.

Management's Discussion and Analysis

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

	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	**2012**	2011	**2012**	2011
Domestic				
Commercial and industrial				
Automobile	**$ —**	$ 2	**— %**	n/m
Mortgage	**—**	2	**—**	0.8
Other	**(5)**	(2)	**(1.5)**	(0.5)
Commercial real estate				
Automobile	**—**	(1)	**—**	(0.2)
Mortgage	**—**	(1)	**—**	n/m
Total domestic	**(5)**	—	**(0.1)**	—
Foreign				
Commercial and industrial				
Automobile	**—**	2	**—**	0.1
Mortgage	**—**	1	**—**	9.7
Other	**(4)**	3	**(28.8)**	4.3
Commercial real estate				
Automobile	**—**	—	**—**	—
Mortgage	**(1)**	14	**(22.6)**	78.4
Total foreign	**(5)**	20	**(0.2)**	0.9
Total commercial finance receivables and loans	**$ (10)**	$ 20	**(0.1)**	0.2

n/m = not meaningful

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

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of $10 million for the three months ended March 31, 2012, compared to net charge-offs of $20 million for the same period in 2011. The decrease in net charge-offs were largely driven by an improved mix of loans in the existing portfolio and strong recoveries in certain wind-down portfolios.

Management's Discussion and Analysis

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans remained flat at $2.5 billion at March 31, 2012, and December 31, 2011.

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

	March 31, 2012	December 31, 2011
Geographic region		
Michigan	**12.7%**	14.1%
Texas	**12.5**	12.4
Florida	**12.4**	12.4
California	**9.4**	9.3
Virginia	**4.0**	4.1
New York	**3.3**	3.5
Pennsylvania	**2.9**	2.9
Alabama	**2.5**	2.6
Georgia	**2.5**	2.5
North Carolina	**2.1**	2.1
Other United States	**28.9**	27.5
Canada	**3.8**	3.5
United Kingdom	**1.7**	1.8
Mexico	**1.0**	1.0
Other foreign	**0.3**	0.3
Total commercial real estate finance receivables and loans	**100.0%**	100.0%
Property type		
Automotive dealers	**99.4%**	99.4%
Other	**0.6**	0.6
Total commercial real estate finance receivables and loans	**100.0%**	100.0%

Commercial Criticized Exposure

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

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

	March 31, 2012	December 31, 2011
Industry		
Automotive	**83.0%**	82.9%
Banks and finance companies	**4.3**	4.2
Real Estate	**3.6**	4.5
Other	**9.1**	8.4
Total commercial criticized finance receivables and loans	**100.0%**	100.0%

Total criticized exposures declined $97 million to $3.0 billion at March 31, 2012 from December 31, 2011, primarily due to improvements in the automotive industry as well as the continued wind-down of commercial assets in the real estate industry.

Management's Discussion and Analysis

Allowance for Loan Losses

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

Three months ended March 31, 2012 (*$ in millions*)	**Consumer automobile**	**Consumer mortgage**	**Total consumer**	**Commercial**	**Total**
Allowance at January 1, 2012	**$ 766**	**$ 516**	**$ 1,282**	**$ 221**	**$ 1,503**
Charge-offs					
Domestic	**(100)**	**(45)**	**(145)**	**(2)**	**(147)**
Foreign	**(36)**	**—**	**(36)**	**—**	**(36)**
Total charge-offs	**(136)**	**(45)**	**(181)**	**(2)**	**(183)**
Recoveries					
Domestic	**46**	**2**	**48**	**7**	**55**
Foreign	**16**	**—**	**16**	**5**	**21**
Total recoveries	**62**	**2**	**64**	**12**	**76**
Net charge-offs	**(74)**	**(43)**	**(117)**	**10**	**(107)**
Provision for loan losses	**133**	**28**	**161**	**(21)**	**140**
Other	**7**	**—**	**7**	**3**	**10**
Allowance at March 31, 2012	**$ 832**	**$ 501**	**$ 1,333**	**$ 213**	**$ 1,546**
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2012 (a)	**1.2%**	**5.0%**	**1.7%**	**0.5 %**	**1.3%**
Net charge-offs to average finance receivables and loans outstanding at March 31, 2012 (a)	**0.5%**	**1.7%**	**0.6%**	**(0.1)%**	**0.4%**
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2012 (a)	**339.2%**	**168.2%**	**245.4%**	**70.5 %**	**182.9%**
Ratio of allowance for loans losses to net charge-offs at March 31, 2012	**2.8**	**2.9**	**2.9**	**(5.4)**	**3.6**

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

Three months ended March 31, 2011 (*$ in millions*)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2011	$ 970	$ 580	$ 1,550	$ 323	$ 1,873
Charge-offs					
Domestic	(139)	(60)	(199)	(6)	(205)
Foreign	(42)	—	(42)	(31)	(73)
Total charge-offs	(181)	(60)	(241)	(37)	(278)
Recoveries					
Domestic	50	3	53	6	59
Foreign	19	—	19	11	30
Total recoveries	69	3	72	17	89
Net charge-offs	(112)	(57)	(169)	(20)	(189)
Provision for loan losses	53	40	93	20	113
Other	5	—	5	4	9
Allowance at March 31, 2011	$ 916	$ 563	$ 1,479	$ 327	$ 1,806
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2011 (a)	1.6%	5.3%	2.2%	0.8%	1.7%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2011 (a)	0.8%	2.1%	1.0%	0.2%	0.7%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2011 (a)	488.9%	136.7%	246.7%	50.7%	145.2%
Ratio of allowance for loans losses to net charge-offs at March 31, 2011	2.0	2.5	2.2	4.1	2.4

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

Management's Discussion and Analysis

The allowance for consumer loan losses at March 31, 2012, declined $146 million compared to March 31, 2011. The decline reflected overall improved credit quality of newer vintages combined with the run-off of legacy vintages, which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses declined $114 million at March 31, 2012, compared to March 31, 2011, primarily related to ongoing strength in dealer performance and the continued wind-down of non-core commercial assets.

Allowance for Loan Losses by Type

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

	2012			2011		
March 31, (*$ in millions*)	**Allowance for loan losses**	**Allowance as a % of loans outstanding**	**Allowance as a % of allowance for loan losses**	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	**$ 628**	**1.3%**	**40.6%**	$ 727	1.8%	40.2%
Consumer mortgage						
1st Mortgage	**262**	**3.8**	**16.9**	304	4.4	16.8
Home equity	**236**	**7.8**	**15.3**	258	7.7	14.3
Total domestic	**1,126**	**1.9**	**72.8**	1,289	2.6	71.3
Foreign						
Consumer automobile	**204**	**1.1**	**13.2**	189	1.1	10.5
Consumer mortgage						
1st Mortgage	**3**	**38.6**	**0.2**	1	0.3	0.1
Home equity	**—**	**—**	**—**	—	—	—
Total foreign	**207**	**1.2**	**13.4**	190	1.1	10.6
Total consumer loans	**1,333**	**1.7**	**86.2**	1,479	2.2	81.9
Commercial						
Domestic						
Commercial and industrial						
Automobile	**62**	**0.2**	**4.0**	70	0.3	3.9
Mortgage	**1**	**—**	**0.1**	—	—	—
Other	**49**	**4.1**	**3.2**	92	5.7	5.1
Commercial real estate						
Automobile	**35**	**1.5**	**2.2**	54	2.6	3.0
Mortgage	**—**	**—**	**—**	—	—	—
Total domestic	**147**	**0.4**	**9.5**	216	0.7	12.0
Foreign						
Commercial and industrial						
Automobile	**46**	**0.5**	**3.0**	63	0.7	3.5
Mortgage	**11**	**43.8**	**0.7**	15	37.0	0.8
Other	**1**	**1.2**	**0.1**	28	9.3	1.5
Commercial real estate						
Automobile	**3**	**1.7**	**0.2**	2	0.8	0.1
Mortgage	**5**	**34.3**	**0.3**	3	6.4	0.2
Total foreign	**66**	**0.8**	**4.3**	111	1.1	6.1
Total commercial loans	**213**	**0.5**	**13.8**	327	0.8	18.1
Total allowance for loan losses	**$ 1,546**	**1.3**	**100.0%**	$ 1,806	1.7	100.0%

Provision for Loan Losses

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

($ in millions)	Three months ended March 31, 2012	2011
Consumer		
Domestic		
Consumer automobile	**$ 83**	$ 46
Consumer mortgage		
1st Mortgage	**10**	17
Home equity	**18**	23
Total domestic	**111**	86
Foreign		
Consumer automobile	**50**	7
Consumer mortgage		
1st Mortgage	**—**	—
Home equity	**—**	—
Total foreign	**50**	7
Total consumer loans	**161**	93
Commercial		
Domestic		
Commercial and industrial		
Automobile	**—**	—
Mortgage	**—**	1
Other	**(7)**	(8)
Commercial real estate		
Automobile	**(5)**	(1)
Mortgage	**—**	—
Total domestic	**(12)**	(8)
Foreign		
Commercial and industrial		
Automobile	**(4)**	31
Mortgage	**—**	1
Other	**(4)**	(9)
Commercial real estate		
Automobile	**—**	—
Mortgage	**(1)**	5
Total foreign	**(9)**	28
Total commercial loans	**(21)**	20
Total provision for loan losses	**$ 140**	$ 113

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities and assets held-for-sale. We are primarily exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate fluctuations. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information.

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

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

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

Since December 31, 2011, there have been no material changes in these market risks. Refer to our Annual Report on Form 10-K for the year ended December 31, 2011, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis.

Liquidity Management, Funding, and Regulatory Capital

Overview

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

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

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

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

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, are intended to allow us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At March 31, 2012, we maintained $24.5 billion of total available parent company liquidity and $13.5 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank from time to time under an intercompany loan agreement. At March 31, 2012, $3.0 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank in the above amounts.

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

Funding Strategy

Our liquidity and ongoing profitability are largely dependent on our timely access to funding and the costs associated with raising funds in different segments of the capital markets and raising deposits. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, public and private asset-backed securitizations, whole-loan asset sales, domestic and international committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

The FDIC indicated that it expected us to diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by expanding public and private securitization programs, extending the maturity profile of our brokered deposit portfolio while not exceeding a $10 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our automotive finance and mortgage loan operations with a stable and low-cost funding source. At March 31, 2012, Ally Bank had $41.5 billion of total external deposits, including $29.3 billion of retail deposits.

At March 31, 2012, Ally Bank maintained cash liquidity of $4.4 billion and highly liquid U.S. federal government and U.S. agency securities of $5.4 billion, excluding certain securities that were encumbered at March 31, 2012. In addition, at March 31, 2012, Ally Bank had unused capacity in committed secured funding facilities of $6.7 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of savings products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an online checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first three months of 2012, the deposit base at Ally Bank grew $1.9 billion, ending the quarter at $41.5 billion from $39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio. Strong retention rates continue to materially contribute to our growth in retail deposits. In the first quarter of 2012, we retained 91% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At March 31, 2012, debt outstanding from the FHLB totaled $5.0 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. Funding from repurchase agreements is accounted for as debt on our Condensed Consolidated Balance Sheet. At March 31, 2012, Ally Bank had $561 million of debt outstanding under repurchase agreements.

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

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2011.

($ in millions)	**1st Quarter 2012**	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	**1,036,468**	976,877	919,670	851,991	798,622
Deposits					
Retail	**$ 29,323**	$ 27,685	$ 26,254	$ 24,562	$ 23,469
Brokered	**9,884**	9,890	9,911	9,903	9,836
Other (a)	**2,314**	2,029	2,704	2,405	2,064
Total deposits	**$ 41,521**	$ 39,604	$ 38,869	$ 36,870	$ 35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the first quarter of 2012, Ally Bank completed three public term securitization transactions and raised $4.2 billion of secured funding backed by retail automotive loans as well as dealer floorplan automotive loans. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail automotive loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset making a very effective funding program. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At March 31, 2012, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also had access to a $3.9 billion committed facility that is shared with the parent company.

Nonbank Funding

At March 31, 2012, the parent company maintained cash liquidity in the amount of $6.8 billion and available liquidity from unused capacity in committed credit facilities of $14.5 billion, including an equal allocation of shared unused capacity of $3.8 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations, ResCap, and Ally Bank. The unused capacity amount at March 31, 2012 also includes $2.5 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings.

In the first three months of 2012, we completed a total of $1.0 billion in funding through the debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a retail debt program known as SmartNotes. SmartNotes are generally fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that we have issued through a network of participating broker-dealers. There were $8.9 billion and $9.0 billion of SmartNotes outstanding at March 31, 2012, and December 31, 2011, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $3.0 billion at March 31, 2012, compared to $2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At March 31, 2012, we had $5.0 billion in short-term unsecured debt outstanding, an increase of $0.5 billion from December 31, 2011. Refer to Note 14 and Note 15 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. In the first quarter, the parent company completed automotive-related transactions that included a $516 million public term securitization in Canada, the renewal and extension of $8.3 billion of committed secured funding capacity and the creation of incremental private secured funding capacity totaling $492 million. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a $7.5 billion syndicated facility that can fund U.S. and Canadian automotive retail and commercial loans, as well as leases. On March 19, 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At March 31, 2012, the parent company had $27.5 billion of commitments globally in various facilities secured by automotive assets.

Recent Funding Developments

During the first three months of 2012, we completed funding transactions totaling $7 billion and we renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 were as follows:

- In February 2012, we accessed the unsecured debt capital markets for the first time since the first half of 2011 and raised $1.0 billion.
- In the first three months of 2012, we have continued to access the public asset backed securitization markets completing three U.S. transactions that raised $4.2 billion and a Canadian transaction that raised $516 million. Also, in April we completed a fourth U.S. transaction that provided an incremental $625 million of funding, as well as our first-ever public European dealer floorplan automotive securitization that raised $646 million.
- We created $492 million of new private capacity to fund automotive assets as well as $450 million of private funding capacity for mortgage servicer advances.
- We renewed and extended $16.4 billion of key automotive funding facilities and $508 million of private capacity that funds our Mortgage operations. The automotive facility renewal amount includes the March 2012 refinancing of $15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The $15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate $7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. After the refinancing, half of the capacity matures in March 2013 and the other half matures in March 2014.

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Funding Sources

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

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2012 from 2011 levels. In addition, deposits represent a larger portion of the overall funding mix.

($ in millions)	Bank	Nonbank	Total	%
March 31, 2012				
Secured financings	**$ 27,133**	**$ 24,933**	**$ 52,066**	**35**
Institutional term debt	**—**	**23,036**	**23,036**	**16**
Retail debt programs (a)	**—**	**14,289**	**14,289**	**10**
Temporary Liquidity Guarantee Program (TLGP)	**—**	**7,400**	**7,400**	**5**
Bank loans and other	**562**	**2,898**	**3,460**	**2**
Total debt (b)	**27,695**	**72,556**	**100,251**	**68**
Deposits (c)	**41,521**	**5,685**	**47,206**	**32**
Total on-balance sheet funding	**$ 69,216**	**$ 78,241**	**$ 147,457**	**100**
Off-balance sheet securitizations				
Mortgage loans	**$ —**	**$ 58,390**	**$ 58,390**	
Total off-balance sheet securitizations	**$ —**	**$ 58,390**	**$ 58,390**	
December 31, 2011				
Secured financings	$ 25,533	$ 27,432	$ 52,965	37
Institutional term debt	—	22,456	22,456	15
Retail debt programs (a)	—	14,148	14,148	10
Temporary Liquidity Guarantee Program (TLGP)	—	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	$ 65,138	$ 79,328	$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	$ —	$ 60,630	$ 60,630	
Total off-balance sheet securitizations	$ —	$ 60,630	$ 60,630	

(a) Primarily includes $8.9 billion and $9.0 billion of Ally SmartNotes at March 31, 2012 and December 31, 2011, respectively.
(b) Excludes fair value adjustment as described in Note 15 to the Condensed Consolidated Financial Statements.
(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer wholesale deposits and deposits at ResMor Trust. Intercompany deposits are not included.

Refer to Note 15 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at March 31, 2012.

Funding Facilities

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

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

Committed Funding Facilities

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

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
(b) Total unused capacity includes $4.0 billion as of March 31, 2012, and $4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.
(c) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

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

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At March 31, 2012, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank's largest facility is a $7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At March 31, 2012, the amount outstanding under this facility was $3.9 billion. Ally Bank also had access to a $3.9 billion committed facility that is shared with the parent company. In the event these facilities are not renewed, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Unsecured

Revolving credit facilities — At March 31, 2012, we maintained $486 million of commitments in our U.S. unsecured revolving credit facility maturing June 2012. We also maintained $273 million of committed unsecured bank facilities in Canada and $113 million in Europe. The Canadian facilities expire in June 2012 and the European facilities expire in March 2013.

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a $7.5 billion revolving syndicated credit facility secured by U.S. and Canadian automotive receivables. During the first quarter of 2012, we successfully renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At March 31, 2012, there was no debt outstanding under this facility. Subsequently, in early April, we borrowed $3.8 billion under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At March 31, 2012, the parent company maintained exclusive access to $27.5 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a $3.9 billion committed facility that is shared with Ally Bank.

Facilities for Mortgage Operations — Secured

At March 31, 2012, we had capacity of $158 million to fund eligible mortgage servicing rights and capacity of $925 million to fund mortgage servicer advances.

Cash Flows

Net cash provided by operating activities was $2.1 billion for the three months ended March 31, 2012, compared to $3.0 billion for the same period in 2011. During the three months ended March 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by $1.5 billion. During the three months ended March 31, 2011, this activity resulted in a net cash inflow of $3.2 billion.

Net cash used in investing activities was $4.1 billion for the three months ended March 31, 2012, compared to $3.6 billion for the same period in 2011. The net cash outflow from finance receivables and loans increased $0.2 billion for the three months ended March 31, 2012, compared to the same period in 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $1.0 billion for the three months ended March 31, 2012, compared to a net cash outflow of $51 million for the three months ended March 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales and maturities of available-for-sale investment securities, net of purchases, increased $0.9 billion during the three months ended March 31, 2012, compared to the same period in 2011.

Net cash provided by financing activities for the three months ended March 31, 2012, totaled $2.1 billion, compared to $2.2 billion in the same period in 2011. Cash generated from long-term debt issuances exceeded cash used to repay such debt by $0.7 billion for the three months ended March 31, 2012, compared to $0.6 billion for the same period in 2011.

Capital Planning and Stress Tests

As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its capital plan in January 2012, and on March 13, 2012, the FRB released its Comprehensive Capital Analysis and Review. The FRB objected to Ally's capital plan; however, the FRB did provide notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt. Ally will submit a revised capital plan in mid-June, as required. It is unknown whether the FRB will accept Ally's revised plan as submitted or require further revisions.

Regulatory Capital

Refer to Note 18 to the Condensed Consolidated Financial Statements.

Credit Ratings

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

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

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody’s	Not-Prime	B1	Stable	February 7, 2011 (b)
S&P	C	B+	Stable	May 4, 2011 (c)
DBRS	R-4	BB-Low	Positive	February 4, 2011 (d)

(a) Fitch placed our senior debt on Rating Watch Negative due to potential negative implications if ResCap were placed into bankruptcy and affirmed the short term rating of B on April 18, 2012.
(b) Moody’s upgraded our senior debt rating to B1 from B3, affirmed the short-term rating of Not-Prime, and affirmed the outlook of Stable on February 7, 2011.
(c) Standard & Poor’s upgraded our senior debt rating to B+ from B, affirmed the short-term rating of C, and affirmed the outlook of Stable on May 4, 2011.
(d) DBRS affirmed our senior debt rating of BB-Low, affirmed the short-term rating of R-4, and changed the outlook to Positive on February 4, 2011.

Off-balance Sheet Arrangements

Refer to Note 10 to the Condensed Consolidated Financial Statements.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

Overview

Certain mortgage companies (Mortgage Companies) within our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs, securitizations to private investors, and to whole-loan investors. In connection with a portion of our Mortgage Companies' private-label securitizations, the monolines insured all or some of the related bonds and guaranteed timely repayment of bond principal and interest when the issuer defaults. In connection with securitizations and loan sales, the trustee for the benefit of the related security holders and, if applicable, the related monoline insurer, are provided various representations and warranties related to the loans sold. The specific representations and warranties vary among different transactions and investors but typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against the applicable Mortgage Companies at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require the applicable Mortgage Companies to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. We have entered into settlement agreements with both Fannie Mae and Freddie Mac that, subject to certain exclusions, limit our remaining exposure with the GSEs. See Government-sponsored Enterprises below. ResCap assumes all of the customary mortgage representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market, generally through securitizations guaranteed by the GSEs. In the event ResCap fails to meet these obligations, Ally Financial Inc. has guaranteed Ally Bank coverage of certain of these liabilities.

Originations

The total exposure of the applicable Mortgage Companies to mortgage representation and warranty claims is most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward. Since 2009, we have focused primarily on originating domestic prime conforming and government-insured mortgages. In addition, we ceased offering interest-only jumbo mortgages in 2010. Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold with contractual representation and warranty obligations by the type of investor (original unpaid principal balance).

	Three months ended March 31,	Year ended December 31,							
($ in billions)	**2012**	2011	2010	2009	2008	2007	2006	2005	2004
GSEs									
Fannie Mae	**$ 5.7**	$ 33.9	$ 35.3	$ 21.2	$ 24.9	$ 31.6	$ 33.5	$ 31.8	$ 30.5
Freddie Mac	**2.5**	15.8	15.7	8.7	12.3	15.5	12.6	16.1	13.7
Ginnie Mae	**1.9**	8.1	16.2	24.9	12.5	3.2	3.6	4.2	4.8
Private-label securitizations									
Insured (monolines)	**—**	—	—	—	—	6.5	10.7	10.4	15.1
Uninsured	**—**	—	0.3	—	—	29.1	63.6	53.5	35.9
Whole-loan/other	**0.1**	0.4	1.6	0.1	2.2	8.2	23.9	17.4	10.9
Total sales	**$ 10.2**	$ 58.2	$ 69.1	$ 54.9	$ 51.9	$ 94.1	$ 147.9	$ 133.4	$ 110.9

Repurchase Process

After receiving a claim under representation and warranty obligations, the applicable Mortgage Companies will review the claim to determine the appropriate response (e.g. appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs and investors are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. The applicable Mortgage Companies actively contest claims to the extent they are not considered valid. The applicable Mortgage Companies are not required to repurchase a loan or provide an indemnification payment where claims are not valid.

During the three months ended March 31, 2012, we experienced an increase in new claims compared to the same period in 2011, primarily due to an increase in repurchase requests relating to uninsured PLS. The following table presents new claims by vintage (original unpaid principal balance).

	Three months ended March 31,	
($ in millions)	**2012**	2011 (a)
2004 and prior period	**$ 17**	$ 7
2005	**21**	7
2006	**95**	15
2007	**41**	24
2008	**44**	25
Post 2008	**35**	53
Unspecified	**—**	2
Total claims	**$ 253**	$ 133

(a) Excludes certain populations where counterparties have requested additional documentation.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. We believe that, in general, the longer a loan performs prior to default the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, the applicable Mortgage Companies bear the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table summarizes the unpaid principal balance on mortgage loans repurchased in connection with our representation and warranty obligations.

($ in millions)	Three months ended March 31, 2012	2011
GSEs	**$ 19**	$ 43
Private-label securitizations		
Insured (monolines)	**4**	—
Uninsured	**—**	—
Whole-loan/other	**3**	5
Total loan repurchases	**$ 26**	$ 48

The following table summarizes indemnification payments made in connection with our representation and warranty obligations.

($ in millions)	Three months ended March 31, 2012	2011
GSEs	**$ 21**	$ 15
Private-label securitizations		
Insured (monolines)	**—**	2
Uninsured	**—**	—
Whole-loan/other	**6**	—
Total indemnification payments	**$ 27**	$ 17

The following table presents the total number and original unpaid principal balance of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

	March 31, 2012		December 31, 2011 (a)	
($ in millions)	**Number of loans**	**Original UPB of loans**	Number of loans	Original UPB of loans
GSEs	**457**	**$ 89**	357	$ 71
Insured PLS (monolines)				
MBIA	**7,314**	**491**	7,314	490
FGIC	**4,826**	**382**	4,608	369
Other	**937**	**70**	730	58
Uninsured PLS	**294**	**78**	38	7
Whole-loan/other	**561**	**85**	475	74
Total number of loans and unpaid principal balance	**14,389**	**$ 1,195**	13,522	$ 1,069

(a) Excludes certain populations where counterparties have requested additional documentation.

We are currently in litigation with MBIA Insurance Corporation (MBIA) and Financial Guaranty Insurance Company (FGIC) with respect to certain of their private-label securitizations. Historically we have requested that most of the repurchase demands presented to us by both MBIA and FGIC be rescinded, consistent with the repurchase process described above. As the litigation process proceeds, additional loan reviews are expected and will likely result in additional repurchase demands.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at the applicable Mortgage Companies. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we do not have or have limited current or historical demand experience with an investor, it is difficult to predict and estimate the level and timing of any potential future demands. In such cases, we may not be able to reasonably estimate losses, and a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. The repurchase reserve at March 31, 2012, relates primarily to non-GSE exposure.

Government-sponsored Enterprises

Between 2004 and 2008, the applicable Mortgage Companies sold $250.8 billion of loans to the GSEs. Each GSE has specific guidelines and criteria for sellers and servicers of loans underlying their securities. In addition, the risk of credit loss of the loan sold was generally transferred to investors upon sale of the securities into the secondary market. Conventional conforming loans were sold to either Freddie Mac or Fannie Mae, and government-insured loans were securitized with Ginnie Mae. For the three months ended March 31, 2012, the applicable Mortgage Companies received repurchase claims relating to $128 million of original unpaid principal balance of which $93 million are associated with the 2004 through 2008 vintages. The remaining $35 million in repurchase claims relate to post-2008 vintages. During the three months ended March 31, 2012, the applicable Mortgage Companies resolved claims with respect to $110 million of original unpaid principal balance, including settlement, repurchase, or indemnification payments related to $60 million of original unpaid principal balance, and rescinded claims related to $50 million of original unpaid principal balance. The applicable Mortgage Companies' representation and warranty obligation liability with respect to the GSEs considers the existing unresolved claims and the best estimate of future claims that could be received. The Mortgage Companies consider their experience with the GSE in evaluating its liability. During 2010, we reached agreements with Freddie Mac and Fannie Mae that, subject to certain exclusions, limits the remaining exposure of the applicable Mortgage Companies to each counterparty.

In March 2010, certain of our Mortgage Companies entered into an agreement with Freddie Mac under which we made a one-time payment to Freddie Mac for the release of repurchase obligations relating to most of the mortgage loans sold to Freddie Mac prior to January 1, 2009. This agreement does not release obligations of the applicable Mortgage Companies with respect to exposure for private-label mortgage-backed securities (MBS) in which Freddie Mac had previously invested, loans where Ally Bank is the owner of the servicing, as well as defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations we have with Freddie Mac, including all indemnification obligations that may arise in connection with the servicing of the mortgages. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $10.9 billion. For the three months ended March 31, 2012, the amount of losses taken on loans repurchased relating to defects where Ally Bank was the owner of the servicing was $5 million and the amount of losses taken on loans that we have repurchased relating to defects in the other specified categories was $2 million. These other specified categories include (i) loans subject to certain state predatory lending and similar laws; (ii) groups of 25 or more mortgage loans purchased, originated, or serviced by one of our mortgage subsidiaries, the purchase, origination, or sale of which all involve a common actor who committed fraud; (iii) “non-loan-level” representations and warranties which refer to representations and warranties that do not relate to specific mortgage loans (examples of such non-loan-level representations and warranties include the requirement that our mortgage subsidiaries meet certain standards to be eligible to sell or service loans for Freddie Mac or our mortgage subsidiaries sold or serviced loans for market participants that were not acceptable to Freddie Mac); and (iv) mortgage loans that are ineligible for purchase by Freddie Mac under its charter and other applicable documents. If, however, a mortgage loan was ineligible under Freddie Mac's charter solely because mortgage insurance was rescinded (rather than for example, because the mortgage loan is secured by a commercial property), and Freddie Mac required our mortgage subsidiary to repurchase that loan because of the ineligibility, Freddie Mac would pay our mortgage subsidiary any net loss we suffered on any later liquidation of that mortgage loan.

Certain of our Mortgage Companies received subpoenas in July 2010 from the Federal Housing Finance Agency (FHFA), which is the conservator of Fannie Mae and Freddie Mac. The subpoenas relating to Fannie Mae investments have been withdrawn with prejudice. The FHFA indicated that documents provided in response to the remaining subpoenas will enable the FHFA to determine whether they believe issuers of private-label MBS are potentially liable to Freddie Mac for losses they might have incurred. Although Freddie Mac has not brought any representation and warranty claims against us with respect to private-label securities subsequent to the settlement, they may well do so in the future. The FHFA has commenced securities and related common law fraud litigation against Ally and certain of our Mortgage Companies with respect to certain of Freddie Mac's private-label securities investments. Refer to the Legal Proceedings described in Note 24 to the Condensed Consolidated Financial Statements for additional information.

On December 23, 2010, certain of our mortgage subsidiaries entered into an agreement with Fannie Mae under which we made a one-time payment to Fannie Mae for the release of repurchase obligations related to most of the mortgage loans we sold to Fannie Mae prior to June 30, 2010. The agreement also covers potential exposure for private-label MBS in which Fannie Mae had previously invested. This agreement does not release the obligations of the applicable Mortgage Companies with respect to loans where Ally Bank is the owner of the servicing, as well as for defects in certain other specified categories of loans. Further, the applicable Mortgage Companies continue to be responsible for other contractual obligations they have with Fannie Mae, including all indemnification obligations that may arise in connection with the servicing of the mortgages, and the applicable Mortgage Companies continue to be obligated to indemnify Fannie Mae for litigation or third-party claims (including by borrowers) for matters that may amount to breaches of selling representations and warranties. The total original unpaid principal balance of loans originated prior to January 1, 2009 and where Ally Bank was the owner of the servicing was $24.4 billion. For the three months ended March 31, 2012, the amount of losses we have taken on loans that we have repurchased relating to defects where Ally Bank was the owner of the servicing was $14 million and the amount of losses we have taken on loans that we have repurchased relating to defects in the other specified categories of loans was $10 million. These other specified categories include, among

Management's Discussion and Analysis

others, (i) those that violate anti-predatory laws or statutes or related regulations or that otherwise violate other applicable laws and regulations; (ii) those that have non-curable defects in title to the secured property, or that have curable title defects, to the extent our mortgage subsidiaries do not cure such defects at our subsidiary's expense; (iii) any mortgage loan in which title or ownership of the mortgage loan was defective; (iv) groups of 13 or more mortgage loans, the purchase, origination, sale, or servicing of which all involve a common actor who committed fraud; and (v) mortgage loans not in compliance with Fannie Mae Charter Act requirements (e.g., mortgage loans on commercial properties or mortgage loans without required mortgage insurance coverage). If a mortgage loan falls out of compliance with Fannie Mae Charter Act requirements because mortgage insurance coverage has been rescinded and not reinstated or replaced, upon the borrower's default our mortgage subsidiaries would have to pay to Fannie Mae the amount of insurance proceeds that would have been paid by the mortgage insurer with respect to such mortgage loan. If the amount of the loss exceeded the amount of insurance proceeds, Fannie Mae would be responsible for such excess.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our GSE exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	**2012**	2011 (a)
Balance at January 1,	**$ 71**	$ 170
New claims	**128**	102
Resolved claims (b)	**(60)**	(133)
Rescinded claims/other	**(50)**	(41)
Balance at March 31,	**$ 89**	$ 98

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private-label Securitizations (PLS)

In general, representations and warranties provided as part of our securitization activities are less rigorous than those provided to the GSEs and generally impose higher burdens on parties seeking repurchase. In order to successfully assert a claim, it is our position that a claimant must prove a breach of the representations and warranties that materially and adversely affects the interest of the investor in the allegedly defective loan. Securitization documents typically provide the investors with a right to request that the trustee investigate and initiate a repurchase claim. However, a class of investors generally is required to coordinate with other investors in that class comprising not less than 25%, and in some cases, 50%, of the percentage interest constituting a class of securities of that class issued by the trust to pursue claims for breach of representations and warranties. In addition, our private-label securitizations generally require that the servicer or trustee give notice to the other parties whenever it becomes aware of facts or circumstances that reveal a breach of representation that materially and adversely affects the interest of the certificate holders.

Regarding our securitization activities, certain of our Mortgage Companies have exposure to potential losses primarily through two avenues. First, investors, through trustees to the extent required by the applicable agreements (or monoline insurers in certain transactions), may request pursuant to applicable agreements that the applicable Mortgage Company repurchase loans or make the investor whole for losses incurred if it is determined that the applicable Mortgage Company violated representations and warranties made at the time of the sale, provided that such violations materially and adversely impacted the interests of the investor. Contractual representations and warranties are different based on the specific deal structure and investor. It is our position that litigation of these matters must proceed on a loan by loan basis. This issue is being disputed throughout the industry in various pending litigation matters. Similarly in dispute, as a matter of law, is the degree to which claimants will have to prove that the alleged breaches of representations and warranties actually caused the losses they claim to have suffered. Ultimate resolution by courts of these and other legal issues will impact litigation and treatment of non-litigated claims pursuant to similar contractual provisions. Second, investors in securitizations may attempt to achieve rescission of their investments or damages through litigation by claiming that the applicable offering documents were materially deficient. If an investor properly made and proved its allegations, the investor might attempt to claim that damages could include loss of market value on the investment even if there were little or no credit loss in the underlying loans.

Insured Private-label Securitizations (Monolines)

Historically, the applicable Mortgage Companies securitized loans where the monolines insured all or some of the related bonds and guaranteed the timely repayment of bond principal and interest when the issuer defaults. Typically, any alleged breach requires the insurer to have both the ability to assert a claim as well as evidence that a defect has had a material and adverse effect on the interest of the security holders or the insurer. Generally, most claims in connection with private-label securitizations come from Monoline Insurers and continue to represent the majority of outstanding repurchase demands. For the period 2004 through 2007, the Mortgage Companies sold $42.7 billion of loans into these monoline-wrapped securitizations. During the three months ended March 31, 2012, the Mortgage Companies received repurchase claims related to $28 million of original unpaid principal balance from the monolines associated with the 2004 through 2007 securitizations. The Mortgage Companies have resolved repurchase demands through indemnification payments related to $2 million of original unpaid principal balance.

We are currently in litigation with MBIA and FGIC, and additional litigation with other monolines is likely. Refer to Note 24 to the Condensed Consolidated Financial Statements for information with respect to pending litigation.

Management's Discussion and Analysis

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our monoline exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	**2012**	2011 (a)
Balance at January 1,	**$ 917**	$ 661
New claims	**28**	14
Resolved claims (b)	**(2)**	(8)
Rescinded claims/other	**—**	—
Balance at March 31,	**$ 943**	$ 667

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

The following table summarizes the original unpaid principal balance of our domestic insured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

(*$ in billions*)	**Original UPB**	**Current UPB at March 31, 2012**	UPB at December 31, 2011
RFMSI (Prime)	**$ 1.7**	**$ 0.5**	$ 0.5
RALI (Option ARM and Alt-A)	**1.4**	**0.6**	0.6
RAMP (HELOC and Subprime)	**26.5**	**6.0**	6.3
RASC (Subprime)	**3.6**	**0.6**	0.6
RFMSII (HELOC)	**9.5**	**2.0**	2.1
Total	**$ 42.7**	**$ 9.7**	$ 10.1

Uninsured Private-label Securitizations

Historically, the applicable Mortgage Companies securitized loans where all or some of the related bonds were uninsured. These entities are required to make customary representations and warranties about the loans to the investor and/or securitization trust. Though particular application of the language is in dispute in various litigation, the contracts typically require claimants to demonstrate that an alleged breach of representations and warranties has had a material and adverse effect on the interest of the security holder. During the period 2004 through 2007, the Mortgage Companies sold $182.1 billion of loans into these uninsured private-label securitizations. Claims associated with uninsured PLS were historically self identified and constituted an immaterial portion of new claims. They historically were included within the Whole loan/other category. During the three months ended March 31, 2012, we received a repurchase request from a bond trustee with respect to one uninsured PLS deal for loans originated in 2006 relating to $70 million of original unpaid principal balance. The Mortgage Companies are currently reviewing this repurchase request.

The following table summarizes the changes in our original unpaid principal balance related to unresolved repurchase demands with respect to our uninsured PLS exposure. The table includes demands that we have requested be rescinded but which have not been agreed to by the investor.

Three months ended March 31, (*$ in millions*)	**2012**	2011 (a)
Balance at January 1,	**$ 8**	$ 3
New claims	**75**	3
Resolved claims (b)	**(4)**	—
Rescinded claims/other	**(1)**	—
Balance at March 31,	**$ 78**	$ 6

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Historically, our Mortgage operations were very active in the securitization market, selling whole loans into special-purpose entities and selling these private-label MBS to investors. The following table summarizes the original unpaid principal balance of our domestic uninsured private-label mortgage securitization activity issued from various shelf registration statements of our Mortgage Subsidiaries and its corresponding majority product type and current unpaid principal balance for securitizations completed during 2004 through 2007.

($ in billions)	**Original UPB**		**Current UPB at March 31, 2012**	UPB at December 31, 2011
RFMSI (Prime)	**$ 21.8**		**$ 7.9**	$ 8.3
RALI (Option ARM and Alt-A)	**66.7**		**25.4**	26.2
RAMP (HELOC and Subprime)	**55.9**	**(a)**	**12.5**	12.9
RASC (Subprime)	**36.8**		**7.8**	8.0
RFMSII (HELOC)	**0.9**		**0.2**	0.3
Total	**$ 182.1**		**$ 53.8**	$ 55.7

(a) RAMP original unpaid principal balance comprises $37.7 billion subprime, $8.8 billion prime, and $9.4 billion other.

Whole-loan Sales

In addition to the settlements with the GSEs noted earlier, certain of our Mortgage Companies have settled with whole-loan investors concerning alleged breaches of underwriting standards. For the three months ended March 31, 2012, certain of our Mortgage Companies have received $22 million of original unpaid principal balance in repurchase claims, all of which are associated with the 2004 through 2008 vintages of loans sold to whole-loan investors. Certain of our Mortgage Companies resolved claims related to $10 million of original unpaid principal balance, including settlements, repurchases, indemnification payments, and rescinded claims.

The following table summarizes the changes in the original unpaid principal balance related to unresolved repurchase demands with respect to our whole-loan sales exposure.

Three months ended March 31, (*$ in millions*)	**2012**	2011 (a)
Balance at January 1,	**$ 73**	$ 85
New claims	**22**	13
Resolved claims (b)	**(6)**	(7)
Rescinded claims/other	**(4)**	(24)
Balance at March 31,	**$ 85**	$ 67

(a) Excludes certain populations where counterparties have requested additional documentation.
(b) Includes losses, settlements, impairments on repurchased loans, and indemnification payments.

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts and may have been in place for consumer mortgage loans sold to whole-loan investors. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, the applicable Mortgage Companies will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, the applicable Mortgage Companies attempt to remedy the defect. In the event the mortgage insurance cannot be reinstated, the applicable Mortgage Companies may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While the applicable Mortgage Companies make every effort to reinstate the mortgage insurance, they have had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At March 31, 2012, the applicable Mortgage Companies have approximately $173 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where we have not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Private-label Mortgage-backed Securities Litigation, Repurchase Obligations, and Related Claims

We believe it is reasonably possible that losses beyond amounts currently reserved for the litigation matters described in Note 24 to the Condensed Consolidated Financial Statements and potential repurchase obligations and related claims with respect to our Mortgage Companies discussed above could occur, and such losses could have a material adverse impact on our results of operations, financial position, or cash flows. However, based on currently available information, we are unable to estimate a range of reasonably possible losses above reserves that have been established.

Critical Accounting Estimates

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

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Determination of reserves for insurance losses and loss adjustment expenses
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, *Income Taxes*, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2011 Annual Report on Form 10-K. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2011 Annual Report on Form 10-K.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 21 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 21 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

($ in millions)	**March 31, 2012**	December 31, 2011
Assets at fair value	**$ 26,568**	$ 30,172
As a percentage of total assets	**14%**	16%
Liabilities at fair value	**$ 5,092**	$ 6,299
As a percentage of total liabilities	**3%**	4%
Assets at fair value using Level 3 inputs	**$ 4,570**	$ 4,666
As a percentage of assets at fair value	**17%**	15%
Liabilities at fair value using Level 3 inputs	**$ 875**	$ 878
As a percentage of liabilities at fair value	**17%**	14%

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

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

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Statistical Table

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

Net Interest Margin Table

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

Three months ended March 31, (*$ in millions*)	2012 Average balance (b)	2012 Interest income/ interest expense	2012 Yield/ rate	2011 Average balance (b)	2011 Interest income/ interest expense	2011 Yield/ rate	Increase (decrease) due to (a) Volume	Increase (decrease) due to (a) Yield/Rate	Increase (decrease) due to (a) Total
Assets									
Interest-bearing cash and cash equivalents	**$ 10,641**	**$ 14**	**0.53%**	$ 13,041	$ 12	0.37%	$ (2)	$ 4	$ 2
Trading assets	**990**	**11**	**4.47**	318	3	3.83	7	1	8
Investment securities (c)	**13,704**	**79**	**2.32**	14,591	98	2.72	(6)	(13)	(19)
Loans held-for-sale, net	**7,754**	**73**	**3.79**	8,877	84	3.84	(11)	—	(11)
Finance receivables and loans, net (d)	**117,482**	**1,678**	**5.74**	104,385	1,621	6.30	193	(136)	57
Investment in operating leases, net (e)	**9,649**	**247**	**10.30**	8,947	385	17.45	28	(166)	(138)
Total interest-earning assets	**160,220**	**2,102**	**5.28**	150,159	2,203	5.95	209	(310)	(101)
Noninterest-bearing cash and cash equivalents	**2,004**			1,032					
Other assets	**23,796**			24,898					
Allowance for loan losses	**(1,528)**			(1,864)					
Total assets	**$ 184,492**			$ 174,225					
Liabilities									
Interest-bearing deposit liabilities	**$ 44,796**	**$ 186**	**1.67%**	$ 38,156	$ 166	1.76%	$ 28	$ (8)	$ 20
Short-term borrowings	**6,905**	**75**	**4.37**	7,107	92	5.25	(3)	(14)	(17)
Long-term debt (f) (g) (h)	**91,558**	**1,177**	**5.17**	87,060	1,406	6.55	70	(299)	(229)
Total interest-bearing liabilities (f) (g) (i)	**143,259**	**1,438**	**4.04**	132,323	1,664	5.10	95	(321)	(226)
Noninterest-bearing deposit liabilities	**2,141**			2,017					
Total funding sources (g) (j)	**145,400**	**1,438**	**3.98**	134,340	1,664	5.02			
Other liabilities	**19,612**			19,473					
Total liabilities	**165,012**			153,813					
Total equity	**19,480**			20,412					
Total liabilities and equity	**$ 184,492**			$ 174,225					
Net financing revenue		**$ 664**			$ 539		$ 114	$ 11	$ 125
Net interest spread (k)			**1.24%**			0.85%			
Net interest spread excluding original issue discount (k)			**1.60**			1.86			
Net interest spread excluding original issue discount and including noninterest bearing deposit liabilities (k)			**1.65**			1.92			
Net yield on interest-earning assets (l)			**1.67**			1.46			
Net yield on interest-earning assets excluding original issue discount (l)			**1.94**			2.26			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
(b) Average balances are calculated using a combination of monthly and daily average methodologies.
(c) Excludes income on equity investments of $5 million during the three months ended March 31, 2012 and 2011, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K.
(e) Includes gains on sale of $54 million and $120 million during the three months ended March 31, 2012 and 2011, respectively. Excluding these gains on sale, the annualized yield would be 8.04% and 12.01% at March 31, 2012 and 2011, respectively.
(f) Includes the effects of derivative financial instruments designated as hedges.
(g) Average balance includes $2,062 million and $3,000 million related to original issue discount at March 31, 2012 and 2011, respectively. Interest expense includes original issue discount amortization of $108 million and $299 million during the three months ended March 31, 2012 and 2011, respectively.
(h) Excluding original issue discount the rate on long-term debt was 4.59% and 4.99% at March 31, 2012 and 2011, respectively.
(i) Excluding original issue discount the rate on total interest-bearing liabilities was 3.68% and 4.09% at March 31, 2012 and 2011, respectively.
(j) Excluding original issue discount the rate on total funding sources was 3.63% and 4.03% at March 31, 2012 and 2011, respectively.
(k) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

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

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

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors (GM), and Ally and Chrysler; the profitability and financial condition of GM and Chrysler; securing low-cost funding for us and Residential Capital, LLC (ResCap); our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; any impact resulting from delayed foreclosure sales or related matters; the potential for legal liability resulting from claims related to the sale of private-label mortgage-backed securities; risks related to potential repurchase obligations due to alleged breaches of representations and warranties in mortgage securitization transactions; changes in U.S. government-sponsored mortgage programs or disruptions in the markets in which our mortgage subsidiaries operate; continued challenges in the residential mortgage markets; the continuing negative impact on ResCap and our mortgage business generally due to the recent decline in the U.S. housing market; uncertainty of our ability to enter into transactions or execute strategic alternatives to realize the value of our ResCap operations; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, ResCap, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies, and similar organizations (including as a result of the Dodd-Frank Act).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

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

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Refer to Note 24 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 31 to our 2011 Annual Report on Form 10-K.

Item 1A. Risk Factors

Other than with respect to the risk factor provided below, there have been no material changes to the Risk Factors described in our 2011 Annual Report on Form 10-K.

Risks Related to Our Business

There is substantial doubt about ResCap's ability to continue as a going concern, and ResCap is actively considering reorganization under bankruptcy laws.

ResCap may not be able to meet its debt service obligations. ResCap did not make a $20 million semi-annual interest payment that was due on April 17, 2012, related to $473 million of unsecured debt principal, which matures in 2013. Further, ResCap was in default on certain of its financial covenants as of December 31, 2011, due to insufficient equity levels, and it is possible that further defaults could occur in the future due to insufficient capital or liquidity.

ResCap remains heavily dependent on Ally and its affiliates for funding and capital support. While Ally has agreed to extend the maturity date for certain existing intercompany facilities on a short-term basis until May 14, 2012, there can be no assurance that Ally or its affiliates will continue any such support or that Ally will choose to execute any further strategic transactions with respect to ResCap or that any transactions undertaken will be successful.

ResCap is actively considering reorganization under bankruptcy laws. If this were to occur, we could incur significant charges, substantial litigation could result, and repayment of our credit exposure to ResCap could be at risk. We currently estimate a range of reasonably possible losses arising at the time of a ResCap bankruptcy filing, including our investment in ResCap, to be between $400 million and $1.25 billion. This estimated range is based on significant judgment and numerous assumptions that are subject to change, and which could be material.

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

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, this 27th day of April, 2012.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of Finance and Corporate Planning

/s/ DAVID J. DEBRUNNER

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

INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10	Consent Judgment, dated March 12, 2012	Filed Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 14, 2012 (File No. 1-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

($ in millions)	Three months ended March 31, 2012 (a)	Year ended December 31, 2011 (a)	2010 (a)	2009 (a)	2008 (a)	2007 (a)
Earnings						
Consolidated net income (loss) from continuing operations	**302**	(112)	986	(6,983)	4,863	(1,950)
Income tax expense (benefit) from continuing operations	**64**	179	153	74	(150)	477
Equity-method investee distribution	**—**	—	—	—	111	65
Equity-method investee (earnings) losses	**(29)**	(87)	(57)	(10)	533	5
Minority interest expense	**—**	1	1	1	1	2
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income or loss from equity investees	**337**	(19)	1,083	(6,918)	5,358	(1,401)
Fixed charges	**1,419**	6,298	6,743	7,017	10,041	13,592
Earnings available for fixed charges	**1,756**	6,279	7,826	99	15,399	12,191
Fixed charges						
Interest, discount, and issuance expense on debt	**1,411**	6,266	6,712	6,984	9,991	13,533
Portion of rentals representative of the interest factor	**8**	32	31	33	50	59
Total fixed charges	**1,419**	6,298	6,743	7,017	10,041	13,592
Preferred dividend requirements (b)	**243**	763	2,149	1,224	—	192
Total fixed charges and preferred dividend requirements	**1,662**	7,061	8,892	8,241	10,041	13,784
Ratio of earning to fixed charges (c)	**1.24**	0.99	1.16	0.01	1.53	0.90
Ratio of earnings to fixed charges and preferred dividend requirements (d)	**1.06**	0.89	0.88	0.01	1.53	0.88

(a) During 2011, 2010, and 2009, we committed to sell certain operations of our International Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.

(b) Amount for 2010 includes a $616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.

(c) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2009, and 2007. Earnings for the years ended December 31, 2011, 2009, and 2007 were inadequate to cover fixed charges. The deficient amounts for the ratio were $19 million, $6,918 million, and $1,401 million for the years ended December 31, 2011, 2009, and 2007, respectively.

(d) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2010, 2009, and 2007. Earnings for the years ended December 31, 2011, 2010, 2009, and 2007 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were $782 million, $1,066 million, $8,142 million, and $1,593 million for the years ended December 31, 2011, 2010, 2009, and 2007, respectively.

Exhibit 31.1

Ally Financial Inc.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 27, 2012

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a–15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 27, 2012

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of
Finance and Corporate Planning

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending March 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer
April 27, 2012

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of Finance and Corporate Planning
April 27, 2012

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.

A. 28

Outlook E-mail

From: Ruckdaschel, John
Sent: 4/16/2012 11:59:11 AM
To: 'kpatrick@gibbsbruns.com'
Cc: Hamzehpour, Tammy; Devine, Timothy; Smith, Bradley - (Dorsey & Whitney); Zellmann, Patty - MN
Subject: CONFIDENTIAL: Data Template
Attachments Kathy Patrick Submission Templates 2012_4_16.xls

THIS EMAIL IS CONFIDENTIAL AND SUBJECT TO THE CONFIDENTIALITY AGREEMENT.

Hi, Kathy. Attached is the template populated with aggregated data we have been able to pull together over the past few weeks.

We have included various footnotes to provide clarification on certain of the columns. This is a big project for our business folks and some of the concepts or data points may be tracked by our servicing team in a different way than the template would call for. For example, they have information readily available for historic 90 + delinquencies (columns H, I, J and K), but not 60 + as originally suggested in the template. As a result, we would be happy to put together a meeting or call with the business to walk through all such items to the extent you and your colleagues have questions.

Please let us know your thoughts. Looking forward to our discussion.

Regards,

John G. Ruckdaschel
Ally | Legal – Capital Markets and Treasury
8400 Normandale Lake Blvd., Suite 350
Minneapolis, Minnesota 55437
T + 952 857-7251 | F + 952 857-7505
John.Ruckdaschel@ally.com

Document Produced in Native Format

Collateral Type	Deal Count	Number of Loans	Percentage Alleging Breach(2)	Percentage Repurchased(2)	Deal Original Balance	Deal Balance as of 12/31/2011(3)	BALANCE EVER 90+ < 12 months Del	12-24 months Del	25-36 months Del	36+ months Del	60+ Days Del as of 12/31/2011	Performing Balance as of 12/31/2011(5)	Liquidated	Total Realized Losses as of 12/31/2011(6)	Current [illegible] Trust Losses	Trailing 3 Month Severity(7)	Modified but Performing as of 12/31/2011(8)	Percentage [illegible] Default Rate on Performing	Percentage [illegible] Default Rate on 60+ Delinquent	Percentage [illegible] Default Rate on Modified but Performing
Prime	[redacted]																			
2005																				
2006																				
2007																				
2008																				
Sub-Prime																				
2005																				
2006																				
2007																				
2008																				
Alt-A																				
2005																				
2006																				
2007																				
2008																				
Option ARM																				
2005																				
2006																				
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2008																				
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(1) RAMP Securitizations RP and SP Series. Note: RALI Series 2006-QR1 is a resecuritization of bonds from other transactions and is therefore not included herein.

(2) Transaction level information available for each of Residential Funding Company, LLC and GMAC Mortgage, LLC on Form ABS-15G at www.sec.gov (http://www.sec.gov/cgi-bin/browse-edgar?company=residential+funding+company&match=&CIK=&filenum=&State=&Country=&SIC=&owner=exclude&Find=Find+Companies&action=getcompany) (http://www.sec.gov/cgi-bin/browse-edgar?action=getcompany&CIK=0000[illegible]3281[illegible]&owner=exclude&count=40) for the period January 1, 2009 to December 31, 2011. Prior periods are not currently available.

(3) Aggregate balances are calculable 35 calendar days after the end of each quarter.

(4) Columns H, I, J and K set forth loans that rolled 90+ as of December 31, 2012 plus all loans that otherwise have been liquidated in the respective time periods. Balances are based on scheduled balance (i.e., they reflect the full amount without netting of foreclosure expense and liquidation proceeds). Reperforming (but not modified) loans are not included. Modified but performing loans are set forth in the aggregate in Column R (subject to footnote 8).

(5) Performing loans defined as current and 30+ delinquent.

(6) Includes customary realized losses and losses as a result of a loan modification.

(7) These numbers are not readily available in this format. Let's discuss.

(8) Modified but Performing do not include loan modifications occurring in the transactions set forth on the next tab for which the master servicing platform does not track on a loan-by-loan basis. Master servicing could manually provide these numbers, but it will require more time. Currently modifications of second liens are not captured in our aggregate data.

A. 29

Outlook E-mail

From: Devine, Timothy
Sent: 4/17/2012 9:57:19 AM
To: Lee, Gary S.; Hamzehpour, Tammy
Subject: RE: Kathy Patrick follow-up

Would 11 am work?

Short story: Gary and I had very constructive talk yesterday on number of issues. On KP next steps, I don't think we should share dollar range of potential AFI contribution (Gary and I had discussed including some figures). I think it's premature given that business has not got to a number yet. Can always share with her at next round of discussion. Would recommend we simply indicate all the rest – the structure of the proposed outcomes, the potential for substantial contribution from AFI, fragility of the goal but clarity of purpose for comprehensive third party releases, etc.,

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Tuesday, April 17, 2012 9:33 AM
To: Devine, Timothy; Hamzehpour, Tammy
Subject: RE: Kathy Patrick follow-up

How is 10.30?

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Tuesday, April 17, 2012 9:29 AM
To: Hamzehpour, Tammy; Lee, Gary S.
Subject: Kathy Patrick follow-up

Let's find 10 minutes to talk this morning. Will catch up and make plans for next steps. Thanks. Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 30

ResCap

Steve Abreu
Jonathan Ilany
John Mack
Tom Marano
Ted Smith
Pam West
Jim Whitlinger

Residential Capital, LLC Board of Directors Meeting
Wednesday, May 9, 2012, 3:00 pm (ET)
Dial-in No.: 866-203-0920 / International No.: 206-445-0056
Conference Code: 53396-93036

A special telephonic meeting of the ResCap Board of Directors will be held Wednesday, May 9, 2012, at 3:00 pm (ET). An agenda is attached. Supporting materials will be distributed just before the meeting.

Please let me know if you are unable to participate. Feel free to contact me by phone (313.656.6301) or email (cathy.quenneville@ally.com) should you have any questions. Thank you.

Cathy Quenneville
Secretary
5/9/12

cc: Tammy Hamzehpour
Morrison Cohen
Morrison & Foerster

PENGAD 800-631-6989 EXHIBIT 9119-95 11/14/12

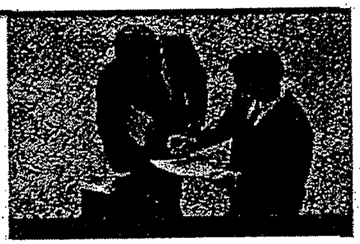
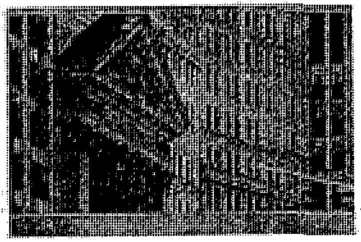
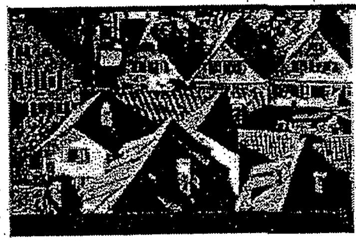
Residential Capital, LLC
Board of Directors
Wednesday, May 9, 2012, 3:00 pm (ET)

Agenda

	Length	Start
1. **Proposed Legal Settlement**	(30 min)	3:00 pm
2. **Project Bounce Update**	(30 min)	3:30 pm

ResCap Private Label Securities
Rep & Warrant Settlement Discussion
Supporting Information
May 9th, 2012

Confidential

ally

RESCAP

Privileged and Confidential
For Settlement Purposes Only

2004-2007 PLS R&W Analysis

		A	B	C	D
		ResCap Issued Deals			
			ResCap Issuance	KP Group	% of Total Issue
1	Deal Collat (a)	Original Balance	226,029.3	171,250.8	76%
2		Current Balance	63,284.8	49,238.1	78%
		% Delinquent	28%	29%	
3		Cume Loss To Date	29,891.9	22,694.1	76%
4		Projected Loss	14,225.7	10,937.4	77%
5		Est Lifetime Loss	44,117.5	33,631.5	76%
6		Est Lifetime Loss % of Orig Bal	19.5%	19.6%	
13	Settle Amt	**ResCap Settlement - 19.72% Defect**	**8,700.0**	**6,632.1**	**76%**
14		Lehman Claim Amount - 35% Defect	15,441.1	11,771.0	76%
15		BofA Baseline - 36% Defect	15,882.3	12,107.4	76%

(a) Collateral and Bond information sourced from Intex files

Key Notes:

1) KP's Investor group covers 82% of RFC issued non-wrapped deals and 88% of GMACM issued non-wrapped deals
2) KP's Investor group covers 63% of RFC issued wrapped deals and 28% of GMACM issued wrapped deals

[redacted]

4) ResCap projected losses based on third party vendor model (ADCO LDM), and the model was calibrated to fit ResCap collateral performance by product/vintage
5) ResCap projected severity based on Moody's baseline HPI forecast and ADCO model loss estimations
6) There could be amounts conceded if the true defect rate is below the 19.72% based on actual loan file reviews and application of litigation defenses.
7) Lehman bankruptcy estimated claim amount for plan voting based on 35% defect rate. The defect rate could be higher as claims are resolved.
8) BofA proposed settlement defect rate set at 36% prior to litigation adjustments
9) KP has factored into the analysis the estimated recovery amount through bankruptcy, as well as third party releases.

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

Executive Summary | Key Assumptions

❖ [redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
  - [redacted]
  - [redacted]
- [redacted]
- [redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]
- [redacted]

A. 31

From: Devine, Timothy
Sent: Monday, April 16, 2012 9:56 PM
To: Kathy D. Patrick
Subject: Confidentiality Agreement

CONFIDENTIAL PER AGREEMENT

Kathy:

I'm hoping to schedule something with you tomorrow or Wednesday on the issues we've discussed. Attached is a draft confidentiality agreement I've been asked to forward to you by bankruptcy counsel for ResCap. I have not gone through it in detail but it was drafted to permit the sort of information exchange you and I discussed. Counsel's view was that it was necessary in addition to and without limiting the existing confidentiality agreement.

Happy to discuss.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
PENGAD 800-631-6989
9019-136
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MoFo Draft 4/16/12

RESIDENTIAL CAPITAL, LLC
1177 Avenue of the Americas
New York, New York 10036

CONFIDENTIAL

April __, 2012

Kathy D. Patrick, Esq.
Gibbs & Bruns LLP
1100 Louisiana St # 5300
Houston, TX 77002

Dear Ms. Patrick:

Reference is made to the Confidentiality Undertaking, dated February 3, 2012 (the "***Discussion Confidentiality Undertaking***"), among Gibbs & Bruns LLP, for itself and on behalf of the Gibbs & Bruns Clients (as defined in the Discussion Confidentiality Undertaking), Ally Financial, Inc. ("***Ally***") and Residential Capital LLC the "***Company***," or "***ResCap***" and, together with its subsidiaries, the "***Companies***")* In connection with your analysis of a possible resolution of the issues identified in the Discussion Confidentiality Undertaking (the "***Possible Settlement***") you have requested information concerning the Companies. As a condition to your being furnished such information, you agree to treat any information (whether (i) prepared by the Companies, their advisors or otherwise or gathered by inspection in connection with the Possible Settlement, (ii) in written, oral, electronic or other form, (iii) not identified as "confidential", or (iv) such information is prepared before, on or after the date hereof in connection with the Possible Settlement) concerning the Companies or any of their affiliates which is furnished to you by or on behalf of the Company in connection with the Possible Settlement (herein collectively referred to as the "***Evaluation Material***") in accordance with the provisions of this letter agreement (the "***Agreement***") and to take or abstain from taking certain actions as set forth herein. The term "Evaluation Material" includes notes, analyses, compilations, summaries, data, studies, interpretations, forecasts, records, memoranda or other documents or information prepared by you which contain, reflect or are based on, in whole or in part, any Evaluation Material.

The term "Evaluation Material" does not include information that (i) is already in your possession, provided that such information is not known by you to be subject to another confidentiality obligation, (ii) is or becomes publicly available other than as a result of a disclosure, directly or indirectly, by you in violation of this Agreement, or (iii) is or becomes available to you on a non-confidential basis from a source other than one of the Companies or

* In this Agreement, the Company and/or the Companies are sometimes referred to as "we" or "us." "Companies" includes the "ResCap Mortgage Companies" as defined in the Discussion Confidentiality Undertaking, and Gibbs & Bruns is sometimes referred to as "you or "your."

its advisors, provided that such source is not known by any of you after due inquiry, including the Companies, to be bound by a confidentiality obligation.

You hereby agree that the Evaluation Material will be used solely for the purpose of evaluating the Possible Settlement and will not be used, directly or indirectly, for any other purpose and that such information will be kept confidential by you and will be not be disclosed by you to anyone, including any Gibbs & Bruns Client or representative thereof; *provided, however*, that (i) from and after the time a Gibbs & Bruns Client has executed a confidentiality agreement with the Company, you may disclose such information to such Gibbs & Bruns Client for the sole purpose of evaluating the Possible Settlement between the Company and the Gibbs & Bruns Clients, or (ii) any disclosure of such information may be made to which the Company grants its prior written consent; *provided further*, that you may provide summaries and analyses of the Evaluation Material to the Gibbs & Bruns Clients, provided that such summaries and analyses do not, themselves, contain Evaluation Material or other confidential or business-sensitive information.

If you are requested in any proceeding to disclose any Evaluation Material (including, by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process), to the extent legally permissible, you will give the Company prompt notice of such request so that the Company may seek an appropriate protective order. If in the absence of a protective order you are nonetheless compelled to disclose Evaluation Material in any such proceeding, such compelled disclosure may be made without liability hereunder; provided that you must give the Company written notice of the information to be disclosed as far in advance of its disclosure as practicable and, upon request, you must use all reasonable commercial efforts to obtain assurances that confidential treatment will be accorded to such information.

The Evaluation Material is provided for compromise and settlement purposes subject to all the protections of Rule 408 of the Federal Rules of Evidence and Section 4547 of New York's Civil Practice Law and Rules, as well as those applicable protections provided under any and all analogous evidentiary rules and/or privileges of the laws of any other applicable jurisdiction.

Although the Companies have endeavored to include in the Evaluation Material information known to it which it believes to be relevant for the purpose of your investigation, you understand that none of the Companies, their Representatives, nor any of their affiliates have made or make any representation or warranty as to the accuracy or completeness of the Evaluation Material.

At any time upon the written request of the Company for any reason, you agree to promptly deliver to the Company all Evaluation Material and any other material containing or reflecting any information in the Evaluation Material (whether prepared by the Companies, their Representatives or otherwise and regardless of the form or storage medium) furnished to you and will not retain any copies, extracts or other reproductions in whole or in part of such material, except that you may retain any information you are required to retain in order to comply with applicable law, regulatory authority or your pre-existing records retention policy;

provided that such information is only accessible by your legal or compliance or information technology personnel (as applicable). Notwithstanding anything to the contrary, you will not be obligated to erase Evaluation Material that is either (i) contained in an archive computer system backup that was made in accordance with your archive system procedures or your security and/or disaster recovery procedures or (ii) may be found in summaries, analyses, and other such documents prepared by you and stored on its internal systems in accordance with ordinary business practices; provided that in either case, such information is only accessible by your legal or compliance or information technology personnel (as applicable). All other Evaluation Material must be destroyed by you and such destruction must be certified in writing to the Company by an authorized officer supervising such destruction. Notwithstanding any such writing or written notice or such return or destruction of the Evaluation Material, you will continue to be bound by the obligations of confidentiality set forth herein.

You agree that money damages will not be a sufficient remedy for any breach of this Agreement by you and that the Company will be entitled to equitable relief, including injunction and specific performance, as a remedy for such breach and that you will not oppose the granting of such relief.

This Agreement may be modified or waived only by a separate writing by the Company and you expressly so modifying or waiving such Agreement. You agree that no failure or delay by the Company in exercising any right, remedy, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. If any provision of this Agreement is found to violate any statute, regulation, rule, order or decree of any governmental authority, court, agency or exchange, such invalidity will not be deemed to affect any other provision hereof or the validity of the remainder of this Agreement, and such invalid provision will be deemed deleted to the minimum extent necessary to cure such violation. Neither this Agreement nor any of the rights and/or obligations hereunder may be assigned, by operation of law or otherwise, by either party without the prior written consent of the other party, and any attempted assignment or transfer by either party not in accordance herewith will be null and void. Notwithstanding the foregoing, Ally is expressly intended to be a third-party beneficiary hereof. Unless otherwise extended by the parties in writing, this Agreement will automatically terminate on the one-year anniversary hereof.

This Agreement is governed and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof. The parties hereto (i) agree that any proceeding commenced by either party hereto relating to this Agreement will be commenced only in the state courts located in New York County, New York or the United States District Court for the Southern District of New York and (ii) consent to the exclusive jurisdiction of such courts. Each party hereby irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue in such courts and agrees not to plead or claim in any such court that any such action or legal proceeding brought in any such court has been brought in an inconvenient forum.

Any notices required by this Agreement will be in writing and must be given by hand or sent by overnight courier, by facsimile (with successful transmission receipt) or by electronic mail (with successful transmission receipt) to the applicable address noted on the last page of this Agreement, with, in the case of any notice to the Companies, a copy to Tammy Hamzehpour, Esq., General Counsel, Residential Capital LLC, fax: 866 572 7524; tammy.hamzehpour@ally.com.

[Signature Page Follows]

Please confirm your agreement with the foregoing by signing and returning one copy of this Agreement to the undersigned, whereupon this Agreement will be a binding agreement between you and the Company.

Very truly yours,

RESIDENTIAL CAPITAL, LLC

____
By: Tammy Hamzehpour
Its: General Counsel

Address: 1177 Avenue of the Americas
New York, New York 10036
Fax No.: (866) 572-7524
Email: tammy.hamzehpour@ally.com

Confirmed and Agreed to:

Date: ______________________

GIBBS & BRUNS LLP

____
By: Kathy D. Patrick
Its:__________________________

Address: 1100 Louisiana St # 5300
Houston, TX 77002
Fax No.: 713.750.0903
Email: kpatrick@gibbsbruns.com

A. 32

REDACTED

A. 33

From: Devine, Timothy
Sent: 4/27/2012 8:22:25 PM
To: Solomon, William Legal; Hamzehpour, Tammy; Lee, Gary S.; Cieri, Richard M.; 'rschrock@kirkland.com'; Ruckdaschel, John
Subject: RE: next steps

Just spoke with KP. Good news overall. Lots more work in short timing.

She told me that she met with her steering committee for 90 minutes today in preliminary session re: our deal.

She told me that the group is committed to working toward a resolution within the bankruptcy. I asked her whether she presented the "input" dollars as we had presented to her and she confirmed that she did. She said that they have authorized her to keep working with us on an accelerated schedule and they are looking forward to a meeting with us directly. I have the clear impression they are at this point at least favorably disposed.

I asked Kathy to send us specific questions her steering committee has so we can work to address them.

When I get those questions I'll forward them to all on this email so we can have both teams collaborate in drafting responses, ensuring alignment at every step.

Couple details: Monoline issue: Kathy and her steering committee understand that some of the monolines will get in line for recovery and thereby deviate some of the water flowing down the waterfall. She is ok with that. To KP's understanding, the monolines get a supersenior position in the waterfall to the extent of their payments to the trust. That's different from the more nuanced understanding we're getting from John R. John R and Orrick are going to do a deep dive this weekend on some deals and educate all of us as to how a settlement would flow in a wrapped deal.

Kathy also asked us to be more clear with regard to who will "take" under the waterfall – all trusts, or only such trusts as present and prove 25% + authority? She is clearly biased to the latter. To that end, she asked that we clarify the FTI waterfalls to indicate whether the percentages indicate takeaways for only such trusts as are "empowered" by 25% + claimants, or all trusts.

KP asked us to let her know as soon as we can when we would be ready for a steering committee presentation.

She asked me to pass along thanks to John R and his team for all their work on the GSE data and also asked me to request John R to reach out again for a couple follow up questions.

Thanks again to all for support of this conversation.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Friday, April 27, 2012 7:11 PM
To: Devine, Timothy
Cc: Kathy Patrick; Scott Humphries
Subject: Re: next steps

Tim - I just returned your email and got voicemail. Please feel free to call me at home when you are free. The number is 713 680 3270. I'm available most of the weekend, except Sunday morning, if you want to choose a time.

Thanks,

Kathy

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On Apr 27, 2012, at 5:44 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

Kathy:

Will you please phone me at your convenience? I want to touch base on next steps and am conscious of the clock.

Thanks again.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 34

Outlook E-mail

From: Devine, Timothy
Sent: 5/1/2012 4:44:12 PM
To: Cieri, Richard M.; Schrock, Ray C.; Lee, Gary S.; Rosten, Linda
Cc: Hamzehpour, Tammy; Ruckdaschel, John; Thompson, William - Legal Dept - PA; Delehey, Lauren - PA; Zellmann, Patty - MN; Solomon, William Legal
Subject: FW: Meeting with KP Steering Committee

Let's book Thursday, 4 – 6, for web meeting. Only presentation material will be the waterfall deck.

We'll need a meeting participation list, which I think will be the same as the FHFA meeting for the AFI/ResCap participants. Please let me know.

Linda R: let's put together an invitation to Kathy Patrick and the Wednesday 1 pm meeting group, minus Steve Hart, and let's set up the web meeting so we'll be the host, and I'll be the "clicker".

Thanks All.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Tuesday, May 01, 2012 1:03 PM
To: Lee, Gary S.; Hamzehpour, Tammy; Ruckdaschel, John; Cieri, Richard M.; Schrock, Ray C.; Thompson, William - Legal Dept - PA; Zellmann, Patty - MN
Subject: Meeting with KP Steering Committee

KP thanks Gary for responsiveness re: additional material and is ready for us to present to her steering committee, except for:

(1) she is planning to send us a bit more data re: GMACM holdings, to include in the supplemental materials she requested and Gary's team have prepared;
(2) she has thrown us two attys fees questions – Gibbs and Brun and BK counsel, one of which ought to be resolved before the steering committee presentation (BK counsel);
(3) she agrees that a net meeting works, targeting Thursday aftn.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

PENGAD 800-631-6989 EXHIBIT 9019 34 11/8/12

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

GMAC ResCap

Discussion Materials

For Settlement Purposes Only – Subject to FRE 408
May 2, 2012

CENTERVIEW PARTNERS

ATTORNEY – CLIENT PRIVILEGE
PREPARED IN ANTICIPATION OF LITIGATION

FTI CONSULTING

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY

[redacted]

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

FOR SETTLEMENT DISCUSSION PURPOSES ONLY

SUBJECT TO MATERIAL CHANGE

[redacted]

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

A. 1

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

-----------------------------------x

In Re: Case No.

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

-----------------------------------x

VIDEOTAPE DEPOSITION OF MARK RENZI

New York, New York

November 7, 2012

1:08 p.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27640

November 7, 2012

1:08 p.m.

Deposition of MARK RENZI, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

MARK RENZI

A. Could you repeat exactly the way you said that.

Q. Mr. Devine recommended using 3 billion, 4 billion and 6 billion dollar valuations as the low, medium and high valuations, correct?

A. That's what the first sentence says, yes.

Q. And those are the very valuations that appear in the April 25th presentation, correct?

A. Yes, they are.

Q. Okay. In addition, Mr. Devine recommended in his second paragraph using a $750 million contribution from AFI as opposed to a $1 billion contribution, correct?

A. I see that in the first sentence of his second paragraph.

Q. And the April 25th presentation in fact used a maximum of a $750 billion contribution from AFI, correct?

A. He does use 750 million as one of the, one of the scenarios.

A. 2

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No.

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

-----------------------------------x

H I G H L Y   C O N F I D E N T I A L

VIDEOTAPE DEPOSITION OF THOMAS MARANO

New York, New York

November 12, 2012

9:56 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27645

November 12, 2012

9:56 a.m.

Deposition of THOMAS MARANO, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

THOMAS MARANO - HIGHLY CONFIDENTIAL

negotiation, I didn't ask him, you know, for this specific number. So I can't -- I just don't know.

Q. I thought you testified a minute ago that you always asked him for more.

Are you saying just generally?

A. Whenever I negotiated anything with Michael, I always asked for more.

Q. Okay. So are you saying that you never had occasion to discuss with Mr. Carpenter the amount that AFI was willing to pay or that you thought should be paid by AFI to ResCap to settle claims?

A. Not in the context of negotiating the deal. But I had expressed numbers that I felt were, you know, higher than we were able to get.

Q. What numbers did you express?

A. Now, my general view was it probably would take something close to $2 billion to settle this.

Q. And you expressed that to Mr. Carpenter?

A. I expressed that to

Mr. Carpenter, definitely.

Q. Did you express it to other members of the ResCap board?

A. Yes.

Q. Did you express it to all of the other members of the ResCap board?

A. I was fairly vocal in what I thought it would take to get a deal done. My view is it would take a couple billion dollars, that no one was going to do a deal for 750.

Q. And during what period of time or over what period of time did you advocate for a number in the range of $2 billion from AFI?

A. I wouldn't use the phrase "advocate." I would say expressed my view of how to get a settlement --

Q. Fine.

A. -- or, pardon me, a deal. And in that context, I would say, you know, over the spring of this year.

MR. KAUFMAN: Let's mark as the next exhibit, Ally Financial, Inc.'s

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aware that certain minimum thresholds of investors had to be aggregated in order to bring a successful claim against ResCap as it related to securities litigation.

Q. So you understood that in order for a claim even to be asserted there had to be at least some aggregation of investors that had some influence over the trusts?

A. Yes.

Q. Did you also understand that there were potential statute of limitations defenses to those claims?

A. Yes. Under the same basis.

Q. Okay. And did you also understand that there was a legal requirement that in order to recover on such claims the claimants would have to demonstrate that their losses were caused by breaches of representations and warranties in the governing agreements?

MR. JURGENS: Objection to form.

MS. PATRICK: Objection to form.

A. That's a level of complexity I

first.

Let's mark instead an e-mail dated March 27, 2012, from Mr. Marano to Michael Carpenter, Timothy Devine and Tammy Hamzephour. Bates numbers 00092054 to 2056.

(9019 Exhibit 56, e-mail dated March 27, 2012, Bates 00092054 to 2056, marked for identification, as of this date.)

MS. PATRICK: ResCap?

MR. KAUFMAN: Yes.

MR. PRINCI: This is 56?

MR. KAUFMAN: I think this is 56.

Q. Let me show you what we just marked. Did you send this e-mail to Mr. Carpenter, Mr. Devine, Ms. Hamzephour, Mr. Solomon and Jeff Brown on March 27, 2012?

A. Yes.

Q. And did your e-mail forward to them an e-mail you had received a few minutes earlier from Didric Cederholm of

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Elliott Management?

A. Yes.

Q. And Mr. Cederholm's e-mail summarized a telephone conversation he had with you regarding the statute of limitations defenses to put-back claims, correct?

A. Yes.

Q. Mr. Cederholm pointed out, didn't he, that put-back claims are based on alleged breaches of contract and that if the claimed breach is in the reps and warranties made in the contract the claimant must assert the breach within the applicable limitations period?

A. What was the question?

MR. KAUFMAN: Read it back, please.

(Record read.)

A. That is what he asserts in this e-mail and it is generally what he discussed on the telephone, yes.

Q. And did you understand from what Mr. Cederholm was telling you that applying a six-year statute of limitations that exists in New York, that should in 2012 bar any put-back claims based on contracts made before 2006?

MR. PRINCI: Objection as to form.

A. I understood his position and I understood what his opinion was but he was not counsel and I'm not even sure if he's a lawyer. He's just a guy who bought bonds who is trying to make an argument for what the bonds were worth. I relied on counsel.

Q. I wasn't asking what you relied or even if you relied on it. I just wanted to know when you received the e-mail and read it you understood that's what he was saying?

A. I understood that's what his assertion was.

Q. Okay. So did you understand from what he was telling you, at least from his view, that in light of the statute of limitations there should be

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zero put-back liability for PLS deals done in 2004 and 2005?

MR. PRINCI: Objection as to form.

A. Again, that was his opinion. The reason why I copied, as you can see, the attorneys on the top here was I was interested in their opinion.

Q. Did any of those to whom you sent Mr. Cederholm's e-mail ever get back to you and express a view as to what he said to you?

A. I do believe there was discussion with Tim Devine on this matter and probably Tammy as well. And my recollection of the discussion was he --

MR. PRINCI: No, don't.

THE WITNESS: Oh, counsel. I'm sorry.

Q. Shifting gears. Mr. Marano, you knew that the settlement being negotiated with Kathy Patrick and Talcott Franklin was contingent on their signing plan support agreements with ResCap, didn't

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agreement.

Q. Mr. Schrock wrote back to Mr. Nashelsky that AFI would make a cash contribution to the debtors of $750 million and would agree to share the proceeds of any sale of Ally's mortgage servicing rights if the buyer paid at least $1.1 billion and assumed rep and warranty liability associated with those rights, correct?

A. He describes -- he describes what would happen if they did sell the MSR, yes.

Q. Was that consistent with your understanding at the time as to the amount AFI was offering to pay for a settlement of its claims or ResCap's claims against it?

A. Yeah. I want to be clear. My recollection was there had been talk of a 750 settlement. Then there was an effort to try and get additional proceeds above the 750. Keep in mind Mr. Mack and Ilany did most of this negotiation or all this

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negotiation. At one point in order to get more money from Ally, something above 750, there apparently was a discussion of Ally selling their MSR and contributing some portion of the MSR to ResCap. When this was brought to my attention I thought it was an interesting idea because it added more value to the estate not only from the cash value but it maintained a servicing asset that could have been sold away from the estate.

So in looking at the e-mail what I see is an agreement where they either give 750 or what will happen is they will sell their MSR which they believe to have a value of somewhere around a billion one. And the first 850 of proceeds would go to -- the first 850 I believe would go to ResCap. Then anything between 850 and a billion one would go to Ally. And then anything between a billion one and a higher number would be split 50/50. And I was trying to understand if this was a concept -- you know, what this concept was

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and if it was going to make it into the plan support agreement.

Q. And did the terms set forth in Mr. Schrock's e-mail in fact become the terms of the agreement between AFI and ResCap?

A. No, I don't believe they did.

Q. What aspects of what's in his e-mail did not?

A. The 750 did. The sale of the MSR and the allocation of those proceeds I do not believe made it into the plan support agreement.

Q. Do you know why not?

A. I think it became too complex to incorporate into the document.

Q. From what source do you obtain that understanding?

A. It's just, you know, recollection there was debate about could you sell it, could you not sell it, what would it be worth, and in the end Mr. Ilany and Mr. Mack decided, I believe, to take the 750 or Mr. Carpenter decided

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dated May 9, 2012, notifying the board of a meeting on May 9, 2012, at 3:00 p.m., attached to which is a several page analysis that was presented at that meeting. Bates numbers RC 9019_0093180 through 3183.

(9019 Exhibit 60, e-mail from Gary Lee dated May 9, 2012, Bates RC 9019_0093180 through 3183, marked for identification, as of this date.)

Q. Let me show you what we have marked. Did you receive this e-mail and the attachment from Mr. Lee on May 9, 2012?

MR. PRINCI: Just give me one minute to read the document.

A. Yes.

Q. And Mr. Lee attached or sent his e-mail at 2:38 p.m. on May 9th. Do you see that?

A. Yes.

Q. And that was 22 minutes before the scheduled meeting at 3:00 p.m., right?

A. Yes.

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Q. Is that when you first received the supporting materials he attached to his e-mail?

A. I honestly couldn't tell you but I'm sure I got them at that time.

Q. Okay. Were any other written materials besides the ones attached as part of this exhibit provided to the board in advance of the meeting?

A. Not that I can recall.

Q. Were you and other members of the board told before the May 9th meeting the terms of the proposed settlement with Ms. Patrick?

A. My recollection was that the discussion with Ms. Patrick was fluid up until the board meeting. And so I can't -- I can't recall, you know, if -- you know, it was just fluid. It was ongoing. We were apprised periodically. But it was a fluid negotiation.

Q. Wasn't the board being asked to approve the settlement at the May 9th meeting?

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A. Yes.

Q. So my question is -- well, let me see if I understood your answer. Are you telling me that until the meeting was actually held neither you nor the other board members knew the terms that had been negotiated and agreed upon in principal?

A. No, that's not what I'm saying.

Q. Okay. So my question is did you know the terms of the negotiated deal prior to the May 9th board meeting?

A. I was aware of the general concepts. Negotiations were going down to the wire. I don't know if it moved a little bit between my prior knowledge and the time of the board meeting. It was extremely fluid.

Q. How much prior to the May 9th meeting could you have been aware of the final negotiated terms as fluid as you've described the negotiations?

MR. PRINCI: Objection to form.

Q. What's the earliest you could have been aware?

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you within the hour that the board meeting transpired, whether it was 50/50; but there was, you know, a fair amount of time.

Q. The entire meeting, according to the minutes, lasted an hour, correct?

A. Correct. I just can't tell you whether it was 30 and 30. I don't recall.

Q. Is it your best recollection that it was split approximately equally between the two matters?

A. I don't recall how much time was spent on each matter.

Q. In the next-to-last paragraph on the first page, the minutes say that during the discussion you requested that a report with separate line items identifying the different settlement amounts be prepared to provide the board with additional details on the settlements.

Do you see that?

A. Yes.

Q. Why did you want that

information?
A. For purposes of clarity.
Q. Clarifying what?
A. To help to make sure the board understood, you know, the components that made up the rep and warrant and PLS settlement.
Q. Was that report provided during the course of the hour meeting?
A. I do not believe it was.
Q. Why didn't you adjourn the meeting until you got the information you were looking for?
A. I think -- my recollection of this meeting is that we had enough of a basis to determine whether or not the settlement agreement was fair, and this was just clarifying details.
Q. Was there a written presentation that accompanied the May 9th meeting?
A. I don't recall if there was a presentation.
Q. Wasn't it the two-page document we looked at before that you got --

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release and resolve claims of certain institutional investors; is that correct?

A. Yes.

Q. Do you have an understanding as to whether the RMBS settlement agreement, if approved and becomes effective, would also release claims of financial guarantee providers like MBIA?

A. I'd have to review the document to be sure if that's in there or not.

Q. Okay. Why don't we look at Exhibit 58 and specifically section 8.02 of that agreement. And I believe that's on page 8, I think.

A. Yes. Okay, I'm looking at that.

Q. Have you seen section 8.02 of the RMBS settlement agreement previously?

A. Yes, I have.

Q. What is your understanding of the claims of financial guarantee providers that would not be released under the settlement pursuant to section 8.02 of the agreement?

MR. PRINCI: Objection as to

THOMAS MARANO - HIGHLY CONFIDENTIAL

form.

A. You know, I believe what this is saying and -- 8.02 basically releases -- it says that the financial guarantors are not released by the waivers in Article 7.

Q. I see you are reading the agreement. I don't want to interrupt. Is that your answer?

A. Yes.

Q. So do you have an understanding as to whether if the settlement agreement that's Exhibit 58 becomes, is approved by the court and becomes effective that financial guarantee providers like MBIA still will have claims to pursue against the debtors?

MR. PRINCI: Objection, the document speaks for itself but you can answer to the extent you --

A. I believe you can file your own claim.

Q. Do you have an understanding as to what types of claims financial guarantee providers like MBIA could file?

THOMAS MARANO - HIGHLY CONFIDENTIAL

you those updates?

A. I would receive those updates from either Mr. Mack or Mr. Ilany but they would be of a nature of we are talking to Carpenter.

Q. Did you ever tell Mr. Ilany or Mr. Mack that you thought $2 billion was a reasonable number to settle with Ally Financial?

A. Again, just to make sure the record is clear, I communicated to many people that I thought that we would not be able to settle with the bondholders or buy their peace for less than $2 billion. That wasn't necessarily based on the merits of the claims in the end when the work was completed.

Q. I understand but did you tell Mr. Ilany and Mr. Mack that you thought $2 billion was a reasonable number?

MR. PRINCI: Objection. Asked and answered.

You can answer it again.

A. They knew my views.

THOMAS MARANO - HIGHLY CONFIDENTIAL

Q. So they knew?

A. Witness nods.

Q. What was the initial ask by ResCap's board to Ally in connection with the Ally set of negotiations?

MR. PRINCI: Objection to form.

You can answer the question if you wish to.

A. I don't actually recall but it was a really big number. It was much bigger than $2 billion.

Q. Was it $3 billion?

A. You know, if I recalled the exact number, it was very big. Ally's reaction was NFW, we'd rather litigate.

Q. Do you recall if it was more than $10 billion?

A. No, I don't think it was over 10 billion.

Q. Do you recall if it was more than 5 billion?

A. I would say, you know, it had to be somewhere south of 5. I just don't -- I don't recall the exact number.

A. 3

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No:

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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H I G H L Y   C O N F I D E N T I A L

VIDEOTAPE DEPOSITION OF TAMMY HAMZEPHOUR

New York, New York

November 13, 2012

9:43 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27903

November 13, 2012

9:43 a.m.

Deposition of TAMMY HAMZEPHOUR, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

A. I believe it was the 21st. I don't know for sure.

MR. KAUFMAN: Let's mark, as the next exhibit, an e-mail chain on November 19, 2011, Bates number ResCap 0000097 and 98.

(9019 Exhibit 69, 11/19/11 e-mail chain, Bates number ResCap 0000097 and 98, marked for identification, as of this date.)

Q. Looking at the e-mail appearing at the top of the first page of the exhibit, you were the author of that e-mail, were you not?

A. Yes.

Q. And does that confirm to you that the meeting with Ms. Patrick was on November 21st?

A. Yes, that's right.

Q. Who attended that meeting?

A. Ms. Patrick was there. One or two people were with her, I don't remember their names. I was there, my litigation colleague, David Hagens, was there from the Minneapolis office. Also my capital markets partner, John Ruckdaschel, was there, and Tim Devine from Ally.

Q. How long did the meeting last?

A. Three hours, maybe. I don't remember exactly.

Q. Can you please describe for me, in as much detail as you can remember, what the discussion was?

A. Ms. Patrick did most of the talking in the beginning of meeting. She talked to us a bit about who her investor clients were and their holdings that were represented across the spectrum of our securitization deals. She indicated that they believed they have claims against us and against Ally.

We talked about some of the work she had done in preparation for the meeting, and she mentioned that she had reviewed our prospectuses for the deals, that she had reviewed loan and servicing agreements, that she was familiar with the structure and the language and the disclosures as across those deals, and that she had created a matrix of rep and warranty language, basically, among the deals.

She spoke a little bit about her pending settlement with Bank of America.

She mentioned that she had not notified any of the trustees about the meeting we were having, because we asked if the trustees knew that she was there, and she said no.

Talked about her theory of the case. She felt that she had claims, rep and warranty breaches, also servicing claims; and she felt that they had extended both to GMAC Mortgage and RFC, who were sponsors of different securitizations in which her investors had an interest.

And also that they viewed Ally, likewise, as responsible.

Q. Who said what on the ResCap and Ally side, as best you can remember?

MR. RAINS: Objection. Vague

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

and ambiguous.

Q. Can you remember anything that you, Mr. Devine, Mr. Hagens, and Mr. Ruckdaschel said during the course of the meeting?

A. I remember Mr. Ruckdaschel asking her some questions about deal structures, certain provisions in the agreements, and they compared views on what those might be, what the answers to those issues might be. Tim asked her what she would see as success from a discussion. She was clearly there asking for a settlement negotiation, and so he asked her what her view of success would look like.

We just -- you know, there was the normal back and forth of any meeting. I don't remember anything more specific than that.

Q. When Mr. Devine asked Ms. Patrick what her view of success was, what did she say?

A. That she would like to arrive at

an agreed settlement with us and would like to start that out by getting access to data and information to help refine their exposure analysis.

Q. Have you now given us your best recollection of everything that was discussed during the course of the November 21st meeting?

A. We talked about next steps and follow-up, in terms of her giving us some specifics of what sort of data she would be looking for and whether or not we could provide it. Yeah, that's my best recollection of the substance of meeting.

MR. KAUFMAN: Let's mark, as the next exhibit, an e-mail chain between November 30, 2011 and December 5, 2011, Bates number ALLY 0209275.

(9019 Exhibit 70, e-mail chain between 1/30/11 and 12/5/11, Bates number ALLY 0209275, marked for identification, as of this date.)

Q. The first e-mail in the chain at the bottom of the page, on November 30,

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

A. That's right.

Q. And he explained some of the reasons for the markups, did he not?

A. Yes.

Q. Was Mr. Devine responsible for the markups?

A. I don't remember if he was the only person that provided comments or not, but he had the pen. He was doing the markup.

Q. And did Mr. Devine assume a similar role in planning how to deal with Talcott Franklin, after he surfaced?

A. Yes.

MR. KAUFMAN: Let's mark, as the next exhibit, an e-mail chain between February 10th and February 28, 2012, Bates numbers ALLY 0210969 through 971. Is that right? Yeah.

(9019 Exhibit 74, e-mail chain, Bates numbers ALLY 0210969 through 971, marked for identification, as of this date.)

Q. Let me show you what we have

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

Ms. Patrick take place on April 25, 2012?

A. Yes.

Q. And was a waterfall presentation given to her during that meeting?

A. Yes.

Q. Did the presentation incorporate the 3, 4, 6 numbers recommended by Mr. Devine for the low, medium and high valuations of ResCap's RMBS exposure?

A. Yes, I believe it did.

Q. Did it also incorporate Mr. Devine's recommendation to use $750 million rather than $1 billion as AFI's potential contribution towards a settlement?

A. I believe there were a range of potential AFI contributions reflected. 750 would have been the highest one in the range.

Q. Okay. Who attended the meeting on April 25th with Ms. Patrick?

A. There were a lot of people. Maybe as many as are in this room. I'll tell you the ones I can remember. Gary

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

Lee was there, Tim Devine, Mark Renzi from FTI, I believe John Ruckdaschel was present, Ms. Patrick. At least one, maybe two of her colleagues. I believe Marc Puntus or Sam Greene, one or the other, from Centerview Partners was there for at least part of the meeting. I don't remember if they stayed for the whole meeting. And there may have been one or more MoFo lawyers there, I don't recall.

Q. You were there?

A. Sure. I was there. I couldn't tell you who was in the room if I weren't there.

Q. Who led the meeting?

A. Gary Lee.

Q. Did you --

A. From a legal perspective Gary Lee. There were parts of the meeting that different people were handling so.

Q. What part, if any, did you handle?

A. I didn't take the lead on any of the issues other than we had a short discussion on servicing standards. And we talked about part of Ms. Patrick's interest and that of her clients was in not only achieving a monetary settlement but also a settlement that would provide enhanced servicing standards for their investors' continuing interest in these loans.

Q. Who made the waterfall presentation?

A. I believe Mark Renzi from FTI did that.

Q. What was Mr. Devine's role during the meeting as you understood it?

A. What was his role?

Q. What did he do?

A. He was in the meeting. I don't remember specific parts of the conversation that he led. There were -- there was discussion around the waterfall and the ranges of recoveries, losses, et cetera, that were the topic of discussion around the settlement. He participated in that.

A. No.

Q. You weren't coordinating that, were you?

A. No. Gary Lee was coordinating that.

Q. Who was the one who was communicating with Ms. Patrick about the status of the documents?

MR. RAINS: Objection. Assumes facts not in evidence.

Q. To your knowledge?

A. Gary was communicating with her and Tim as well. I assume K&E was involved for Ally.

Q. Okay. Was Mr. Devine coordinating the negotiations with Ms. Patrick concerning the amount of the allowed claims she would get in a settlement?

A. No. He participated in those discussions.

Q. What was your participation in that discussion?

A. I was present for some of the

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL
discussions, not all of them, as they shaped up over a week or two of negotiations. I was aware, I was kept informed by Gary of what was going on and the developments as they were happening.
Q. So if I understand you correctly, the people who were communicating with Ms. Patrick over the amount of the allowed claim would have been Mr. Devine and Mr. Lee?
A. And Mark Renzi and Jeff Cancelliere and other folks who were in the meetings where these things were being discussed.
Q. Okay.
MR. KAUFMAN: Let's mark as the next exhibit an e-mail chain on May 7, 2012. Bates numbers RC 9019_00049157 through 59.
(9019 Exhibit 85, e-mail chain dated May 7, 2012, Bates RC 9019_00049157 through 59, marked for identification, as of this date.)
Q. Please take however long you

Q. Do you recall weighing in, if not in writing, orally, in direct response to Mr. Devine's 10:14 p.m. e-mail on May 7th?

A. I don't remember weighing in on it. He wasn't asking me a question either so.

Q. Okay.

MR. KAUFMAN: Let's mark as the next exhibit a May 8, 2012 e-mail from Mr. Devine. Bates number RC 9019_00047906.

(9019 Exhibit 86, May 8, 2012 e-mail from Mr. Devine, Bates RC 9019_00047906, marked for identification, as of this date.)

Q. Looking at the exhibit we just marked, did you receive a copy of this e-mail?

A. Yes.

Q. And in this e-mail Mr. Devine reported on a conversation he had that morning with Talcott Franklin, correct?

A. Yes.

TAMMY HAMZEPHOUR - HIGHLY CONFIDENTIAL

Q. Who authorized you to sign it?

A. I don't think anyone gave a specific direction to sign it.

MR. KAUFMAN: Just take a few minute break.

THE VIDEOGRAPHER: The time is 11:36 a.m. and we are off the record.

(Whereupon, there is a recess in the proceedings.)

THE VIDEOGRAPHER: The time is 11:55 a.m. and we are back on the record.

Q. Ms. Hamzephour, I just have a couple of questions more.

A. Sure.

Q. I understand that you may have had one or two telephone calls with Ms. Patrick in or around November of 2011 in connection with the first meeting with her in Minneapolis. Did you have any telephone calls with her in 2012?

A. Not one-on-one that I remember.

Q. You have been identified as the debtors -- one of the debtors fact

A. That was my understanding.

Q. Why was that method chosen?

MR. RAINS: Can I, just to be clear, you are asking her understanding back in August when she signed this?

MR. BULL: Correct. As the signatory of the document.

MR. RAINS: I mean, it's been replaced. That's the point of my question. You are asking what her understanding was at the time she signed the agreement. But go ahead.

THE WITNESS: Okay.

Q. Why was this method chosen?

A. The method of allocation was the subject of negotiation between the parties.

Q. Were you part of those negotiations?

A. I was involved in some of them, not all of them. Not present for every negotiation -- not present for every conversation.

claim.
A. That's right.
Q. Okay. Do you know if anybody at ResCap made any determination as to whether the legal fees in provision RMBS settlement agreement was -- provided reasonable fees for the Steering Committee's counsel?
A. I don't believe so.
Q. Let's turn to section 8.02. Are you familiar with -- section 8.02 is entitled Financial Guarantee Provider Rights and Obligations. Do you see that?
A. Yes.
Q. Are you familiar with this section of the agreement?
A. Yes.
Q. What is your understanding of this section of the agreement.
A. That the releases provided don't act to release claims of financial guarantee providers.
Q. Is that any claims of financial guarantee providers or certain claims?

A. If we don't have -- in my view, in my understanding if we don't have a settlement with the insurance provider this document does not release any claims that those insurance providers have against the debtors with respect to those participating trusts. Is that what you are --

Q. That's --

A. I'm trying to understand. I think that's what you are asking.

Q. That is what I'm asking. And that is -- that is -- if that's your understanding, that's what I want to know.

A. That's my understanding.

MR. SIDMAN: Give me one second.

THE WITNESS: Okay.

MR. RAINS: Somebody got mad at that answer and hung up on you.

MR. SIDMAN: Just give me one second. I want to look at my notes.

THE WITNESS: Sure.

MR. SIDMAN: Can we go off the record just for one second.

A. 4

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No.

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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VIDEOTAPE DEPOSITION OF JOHN MACK

New York, New York

November 14, 2012

9:53 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27647-A

November 14, 2012

9:53 a.m.

Deposition of JOHN MACK, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

JOHN MACK

and negotiated the $8.5 billion settlement. Let the games begin."

And you see it attaches a letter from a woman by the name of Kathy Patrick.

A. Uh-hum.

Q. And so my question is, first, have you ever seen this e-mail or letter before?

A. No.

Q. Were you told, before joining the ResCap board, about Ms. Patrick's demand?

A. No.

Q. Were you told the games had begun?

A. No.

MR. PRINCI: Objection as to form.

Q. At what point after joining the ResCap board did you learn about this demand and about this issue?

A. Well, Ms. Patrick's name came up, it would have been in late April, mid to late April or early May of this year, before the petition was filed.

Q. So between -- between October 19th, 2011, when this e-mail, which is Exhibit 92, is dated, and April or May, you never heard that there was a demand being made for a settlement of the RMBS claims?

MR. PRINCI: Objection as to form.

MR. PIEDRA: Objection to form.

A. Yeah, I think that's correct. I don't think I knew about it, other than, broadly speaking, that we would have been in conversations with some investors; but beyond that, no, nothing specific.

Q. When you say --

A. And nothing with her name attached it to until very late in the process.

Q. So you knew nothing specific and nothing with her name attached to it, until basically April, May; is that fair?

A. Correct.

Q. What did you know earlier than

second day. I was introduced.

Q. So I take it it's fair to say you never directly participated in any of the negotiations of that settlement?

MR. PIEDRA: Objection to form.

A. That is correct.

Q. And did you indirectly participate in some way in those negotiations?

MR. PRINCI: Objection as to form.

A. No.

Q. Okay. When you learned about them in April or May, at that point it was -- is it fair to say, was it understood by the ResCap board that any resolution of these claims for a settlement would have to be accomplished in a Chapter 11 proceeding?

MR. PIEDRA: Object to the form.

A. They would have been part of the bankruptcy process. I think I can say that --

Q. Okay.

steps to protect against the risk that I just identified?

MR. PIEDRA: Objection to form.

MR. PRINCI: Objection as to form.

A. Could you -- I'm not sure I understand your question.

Q. Okay. I identified what I believe is a risk, which is, which is that to the extent that AFI controlled the negotiations with Ms. Patrick, their primary objective would be to obtain a settlement, rather than a lower claim. And I'm asking whether the board took any steps to protect against that risk.

MR. PRINCI: Objection, assumes a facta not in evidence. Object to the form.

But if you understand the question, you may answer.

A. Well, I can't speak for AFI. I can only say that at ResCap, I didn't know AFI was having conversations with Ms. Patrick. I had no idea.

JOHN MACK

Q. Now, what did you understand -- who did you understand was the business person that was taking the leading role in the RMBS settlement negotiations with Ms. Patrick?

A. At ResCap, it would have been Tom Marano.

Q. Was your understanding that he was the one taking the lead in the negotiations?

A. No.

Q. Who did you understand was taking the lead in the negotiations?

A. Our advisors. In this case, it would have been people at, attorneys at MoFo.

Q. Okay. And what attorney?

A. I don't recall, specifically, but I would have to -- I would have to say Gary Lee, probably.

Q. Is it fair to say that you viewed MoFo and Gary Lee as the attorneys for ResCap?

A. Oh, they are.

JOHN MACK

Q. What about K&E and Timothy Devine, did you view them as your lawyers or as AFI's lawyers or something else?

MR. PRINCI: Objection as to form.

A. AFI's lawyers.

MR. PRINCI: Excuse me one second. Just pause for one second, Tom.

MR. MOLONEY: Wait a second. You can just tell them that he needs to wait -- I'll put it on the record that you need to wait to allow Mr. Princi to state his objection.

I think we should note now that counsel is conferring with the witness, and it's not appropriate.

Q. What did you understand Timothy Devine's position to be?

A. I don't know Timothy Devine.

Q. Okay. Do you know whether or not he had a role in negotiating the RMBS deal with Ms. Patrick?

A. No.

JOHN MACK

Q. Did it concern you, if he was the chief of litigation for AFI, and he took the lead in the settlement negotiations and negotiated material terms of the RMBS with Kathy Patrick, without the involvement of Morrison & Foerster?

MR. PIEDRA: Objection to form.

MR. PRINCI: Objection to form.

MR. MOLONEY: Noted.

Q. You may answer.

A. Generically speaking, yes, I would not understand that.

Q. As of May 2012, was there any real connection between the amount that the ResCap board was going to require AFI to contribute to a Chapter 11 resolution and the size of the RMBS claim that was negotiated with Ms. Patrick?

A. No.

Q. So at least as of May 2012, there was no additional cost to AFI in agreeing to a larger claim from Ms. Patrick's clients, in return for an AFI release, correct?

JOHN MACK

MR. PIEDRA: Objection to form.

MR. PRINCI: Objection to form.

A. I'm not sure I understand. I'm not -- I'm ResCap, I'm not part of AFI. So I don't understand why -- I just don't understand.

Q. That's okay. Let's change topics.

As a member of the ResCap audit committee, what involvement, if any, did you have in reviewing AFI or ResCap group financial statements?

A. We met at least quarterly to review that quarter's financial statements.

Q. And I take it when you joined the board in 2011, ResCap was no longer filing public financial statements itself, correct?

A. Correct.

Q. It was still preparing financial statements, correct?

A. Correct.

Q. Was it preparing stand-alone

I'm asking, did you ever get an explanation of what litigation defenses might be available to ResCap to defend against these potential claims?

MR. PIEDRA: Object to the form.

A. No.

Q. For example, were you ever informed that a number of the claims could be eliminated, due to statute of limitations defenses?

MR. PRINCI: Just to the extent that you were informed of any such thing by counsel, then I'm going to direct you not to answer.

MR. MOLONEY: Okay. I'm just withdrawing my question. We will go on to another area.

Q. Now, if we look at the -- before we leave this page, if we look at the number 400, that's -- this estimate includes securities litigation, right?

A. Yes, it says so.

Q. Okay. Thank you.

And now, going on in the same

$4 billion was an estimate, but this was a negotiated number, the 8.7?

A. Correct.

Q. Now, it wasn't determined by a court that ResCap was liable for $8.7 billion, right?

A. That is correct.

Q. So it was just determined by two human beings who negotiated a number, $8.7 billion, right?

MR. PRINCI: Objection as to form.

A. It was a negotiated number.

Q. Who were the two people who negotiated the number?

MR. PRINCI: Objection as to form.

A. Our advisors from MoFo, and Kathy Patrick, representing the investors.

Q. Now, the person who was representing you, your advisor for MoFo, you would think that they should negotiate a number that's consistent with what they think are their potential liabilities, if they go to court, right?

MR. PIEDRA: Objection to form.

MR. PRINCI: Objection as to form.

A. No.

Q. No? Why?

A. They can negotiate a number that is in the best interests of trying to get a transaction accomplished.

Q. Even if it doesn't bear any resemblance to what the outcome would be, if the case was actually tried in court?

MR. PIEDRA: Objection to form.

A. I don't know that it would or wouldn't bear any resemblance to what the actual number would be. I couldn't predict the future like that.

Q. Did you get any guidance at the board meeting as to what the number would be, if this claim was actually litigated rather than settled?

A. No, not that I recall.

Q. So this was just a number needed to do a transaction, is what you are

JOHN MACK

A. Not that I recall at the time.

Q. Okay. Let's see if we can understand whether it's lower than the BofA settlement.

Before we get there, the defect rate assumed for this settlement was 19 percent; is that correct?

A. 19.72 is what it says, yes.

Q. [redacted]

A. That's what I said, yes.

Q. Okay. And now, when we looked at Exhibit -- the prior exhibit, there was also a further discount of the number for legal defenses.

Do you recall seeing that?

A. Uh-hum, uh-hum.

Q. Was a legal defense discount applied to the number that's on this page?

MR. PIEDRA: Object to the form.

A. Not that I recall.

Q. Okay. So no consideration of legal defenses?

JOHN MACK

MR. PIEDRA: Objection to form.

MR. PRINCI: Objection.

A. No, I don't think that was part of what my consideration was.

Q. Now, you say it was less than the BofA settlement; is that what you are telling us?

A. The defect rate, our defect rate.

Q. I know your defect rate. But the settlement amount actually was, ironically, more than the BofA settlement, right?

MR. PIEDRA: Objection to the form.

Q. BofA settled for $8.5 billion, we saw in the prior exhibit.

MR. PIEDRA: Do you want an answer to the last question?

MR. PRINCI: Which question do you want him to answer?

Q. The settlement amount proposed to be paid by ResCap is actually more than the amount proposed to be paid by BofA to counter. We did not negotiate in that meeting.

Q. Okay. Let's see if we can put a time and place on this meeting.

MR. MOLONEY: Do we have this? Is this part of the exhibits?

Q. Would you look at Exhibit 98 in your pile.

(9019 Exhibit 98, meeting minutes, Bates RC40020213-214, marked for identification, as of this date.)

A. Uh-hum.

MR. PRINCI: Excuse me. Just give me one second. Bear with me. Okay, Mr. Moloney.

Q. Did you attend this meeting on or about January 25, 2012?

A. Yes, I did.

Q. And did you -- if you look at the minutes of meeting there's a reference under Executive Session to the fact that there's a presentation given to the ResCap board essentially about potential claims against Ally and an indication of certain materials to provide to the board in advance of the meeting.

Do you see that?

A. Yes.

Q. Did you obtain those materials?

A. If they were provided to the board I did.

Q. Did you keep those materials?

A. No.

Q. What did you do with them?

A. I left them in the board room.

Q. You left them in the board room when you left the meeting?

A. Yes.

Q. On a go-forward basis when you were negotiating with Mr. Carpenter did you need to consult the materials from time to time?

A. No.

Q. Is it fair to say your negotiations with Mr. Carpenter really had nothing to do with the legal arguments in those materials?

MR. PRINCI: Objection as to

form.

A. Yes. I'm not going to negotiate on legal issues.

Q. Okay. And then there's a reference here to a meeting that occurs with Mr. Carpenter right after this board meeting. This board meeting starts at 12:25 and there's a reference to a meeting with Mr. Carpenter right after it, right? It says approximately 3:00 the meeting was adjourned. At approximately --

A. Yes, I see that.

Q. Half hour meeting with Carpenter. Is that the meeting -- does that kick it off, the process of these negotiations?

A. No.

Q. Okay. When was the kick-off meeting?

A. It was after this.

Q. Okay. I'm going to show you a document which we have marked as Exhibit 99.

(9019 Exhibit 99, series of

recollection what Mr. Carpenter said at this meeting. What did he say in the presentation?

A. Mr. Carpenter made a presentation in which he outlined there were three possible paths forward. One path was just to do a free fall 363 bankruptcy. There was a middle path, which I don't really recall many of the details. And the third path was if we could achieve a plan settlement, there would be a greater contribution by Ally in that process. All three involved bankruptcy.

Q. Okay. And in connection with that third alternative, did he indicate what the level of contribution would be?

A. Yes. He had -- he proposed some numbers and some ancillary items such as a subsidiary which had some cash in it. That subsidiary it turns out had absolutely no value to ResCap. And so, you know, it wasn't part of the, it wasn't part of the equation.

JOHN MACK

Q. Now, the proposal. What was the numbers that he gave?

A. As I recall, he had a three -- $350 million number. And again, there were some ancillary items which in our view ultimately didn't really have value -- add value, so.

Q. Did you take notes at this meeting?

A. Probably not.

Q. Did you report what was, what you learned at the meeting to the other directors or anyone else?

A. Yes.

Q. And in what format?

A. Verbal conversation with our attorneys at MoFo.

Q. So you reported verbally to the attorneys at MoFo. Anything else?

A. Well, Mr. Ilany was with me so the two of us made the report. We walked back up the street to MoFo's office to do that.

Q. And were the other directors

Q. So what -- what happens next?

MR. PRINCI: Objection as to form.

A. We discussed the proposal. We -- there were -- again there was some items in the proposal that he made that were of no value as we -- as we viewed the situation. And so at a subsequent meeting Jonathan and I went back. Again, it was the same four principals and only the four principals. We went back with a counterproposal seeking to emphasize that we liked and preferred the third alternative, that is I'm going to use the word "elegant," the more elegant process, involving a plan.

Q. And what was your counterproposal?

A. Well, we wanted -- we pointed out why we didn't contribute or didn't assign value to certain parts of his proposal. We discussed the need to have a, you know, reasonable but I don't believe we were specific as to number, a reasonable headline number in terms of achieving credibility. And we then encouraged, the four of us, encouraged the advisors who were actually sitting in the next room to work on an agreement that mirrored that.

Q. Now, what did you say in terms of the -- the reasons for a reasonable headline number? What reasons did you give to them in support of why it was in their reason for a reasonable headline number?

A. Well, it would have been very simple. If the plan was going to have any credibility at all, then we needed a reasonable headline number. Otherwise we'd just get mired into a process which isn't going anywhere and which would in fact not ascribe value to the estate and to the creditors.

Q. Okay. Now when you instructed the lawyers to -- to work on an agreement they weren't supposed to be working on the numbers, they were just working on the apples and oranges. Let's see if we can [redacted]

A. Okay.

Q. So just kind of retrace it.

A. To my knowledge, no part of the Ally settlement has been allocated to anybody.

Q. You certainly as a board didn't make a judgment that -- that weighing the relative merits of the claims of -- that belonged to ResCap LLC versus other claims that might belong to other entities that its claims were only worth 10 percent of the claims belonging to other entities, right?

MR. PRINCI: Objection as to form.

Q. You didn't make that judgment, right?

A. We did not make that judgment.

Q. Now, did you understand that as

JOHN MACK

part of the settlement that was approved, the $8.7 million settlement, that you were also settling securities claims?

A. Yes, it was reps and warranties and securities claims.

Q. At any point in time did you ever learn that securities claims were not being picked up by this $8.7 billion settlement?

A. No.

Q. So as far as you are concerned, the board has not approved the deal that does not resolve securities claims as part of the $8.7 billion payment?

MR. PRINCI: Objection as to form.

A. This is a slightly technical matter. I don't know.

Q. Okay.

(9019 Exhibit 100, e-mail with attachment, Bates RC 40088324-337, marked for identification, as of this date.)

Q. Please look at Exhibit 100 in

JOHN MACK

Q. You wouldn't -- you wouldn't assign a 500 million value, right?

MR. PRINCI: Objection as to form.

A. I don't think it was that much.

Q. No. And they didn't purchase through credit bid the assets secured by a revolver, right?

A. No. In the end we did a different structure. Those were assets that went to -- they did provide -- I'm sorry, they did provide a revolver as part of the facility. They just didn't purchase the assets necessarily.

Q. Now, did Mr. Marano indicate around this point in time that he thought $2 billion was required as the headline number to resolve this problem?

A. I'm sorry, I didn't hear you.

Q. Did Mr. Marano indicate to you that he thought at around this point in time April of 2012 that he thought $2 billion was the headline number that the settlement needed to have in order to have credibility?

A. I don't think I would characterize it that way but I do believe that he said, I know that he said $2 billion but I don't believe I would characterize it that he said that's what it would need to be.

Q. How would you characterize it?

A. That it would be desirable.

Q. And did you disagree with him?

A. No. I didn't disagree with him.

Q. Why did you agree with a settlement that was worth less than half that amount?

A. Well, I didn't -- just because I didn't disagree with him doesn't mean I don't think that the number we got was the fair number. I think -- I think his number was -- could also be deemed to be fair. But I'm not saying that that was the only number that it could be.

Q. Okay. There's a discussion down here that the reps and warranties claims were estimated at 4.1 billion. Do you see

JOHN MACK

A. No, I don't recall.

Q. Do you know why Marano would feel that he would need an explanation as to what the amount was at that point in time?

MR. PRINCI: Objection as to form. Lack of foundation.

A. No.

Q. Let's go to exhibit, next exhibit which is exhibit --

A. 105?

Q. Yes.

(9019 Exhibit 105, two e-mails, Bates ALLY 0141967, marked for identification, as of this date.)

A. Uh-hum.

Q. It's an e-mail, two e-mails the top one is from Dan Soto dated May 8, 2012. The bottom one is from Jeff Brown dated May 8, 2012. And I want to focus on the penultimate paragraph of the e-mail, of the bottom e-mail from Jeff Brown. It says "Also I think, even as Mike once shared to you and Jim, originally ResCap

JOHN MACK

presented an 8 or $9 billion claim against Ally that is now totally gone."

Do you see that statement?

A. Yes.

Q. What knowledge, if any, do you have of an 8 to $9 billion claim that ResCap presented to Ally?

A. I would have to speculate that in an early meeting between MoFo and K&E, that that would have been a number that we presented them.

Q. Did MoFo -- did you ever present an 8 or $9 billion ask?

A. Did I? No.

Q. Why not?

MR. PRINCI: Objection as to form.

A. These are legal matters. I'm not going to discuss legal matters with principals.

Q. Okay. So you weren't settling legal claims?

A. No.

MR. PRINCI: Objection as to

Now, that's why this, the date on this e-mail makes me question whether this was the final.

Q. Okay. You approved the final deal?

A. We approved the final deal. We didn't approve any interim deals.

Q. There was an interim deal that provided for a Holdco, eliminated your release and provided for a Holdco election, a potential claim of $1.7 million?

A. I don't recall.

Q. You didn't approve that deal?

A. I don't recall.

Q. Why did you approve any change from the original deal that allowed ResCap LLC to obtain a release?

MR. PRINCI: Objection as to form.

A. Again, you are into a little bit of a legal issue, and I relied on my advisors with regard to the legal issues. The economics didn't seem to change, to me.

Q. Well, from the perspective -- going back to the exhibit we looked at earlier, the May 9th exhibit. Can you pull that up again?

A. May 9th?

Q. Yeah.

A. What exhibit?

MR. PRINCI: Which exhibit number?

MR. MOLONEY: It's the board meeting. It's Exhibit Number 95.

A. Okay, I have 95.

Q. Look at the executive summary, key assumptions.

Do you see that?

A. Yes.

[redacted]

A. Yes.

Q. That's the senior unsecured notes, that's the bondholders.

Do you understand that?

JOHN MACK

Q. Mr. Mack, I'm Harrison Denman from White & Case, for the ad hoc group.

Earlier you mentioned that you perceived your role as on behalf of the consolidated group of ResCap debtors; is that correct?

A. Correct.

Q. And how was that perception of yours informed?

A. Generally speaking, I mean that's -- I am an independent director, that is my profession now. And I take that view with all of my clients or the companies that I work for, that is, I am a director of the consolidated company, and that is the company that I have the fiduciary duty to.

Q. So it was based --

A. And that company is responsible for all of its subsidiaries.

Q. Okay. So that conclusion was not reached as the result of discussions with counsel?

A. No. No, it's a view I hold

JOHN MACK

Q. And I don't mean to misstate any of the testimony, but I think you testified that you understood that this essentially presented the $8.7 billion amount as a percentage of the total losses based on a defect rate of 19.72 percent.

Is that accurate?

A. Yes.

Q. So you understood in this presentation that the $8.7 billion number was derived arithmetically, essentially, based upon a percentage of the total estimated loss?

A. Yes.

Q. Did anybody explain to you, either before or at the board meeting, where that 19.72 percent defect rate came from?

A. It's 19.72 number, as I recall, [redacted] negotiated number, so.

Q. The defect rate was a negotiated number?

A. The utilization of the 19.72 leading to the 8.7 billion was negotiated.

Q. Who negotiated a defect rate? I thought that was based on some historical analysis.

[redacted]

A. No.

Q. There's reference in note 3 to a historical post-fund audit.

Was there no explanation given as to what that audit might have consisted of?

A. No, we didn't discuss that in detail.

Q. And did anybody ask, during the course of the meeting, what that meant?

A. No. I don't recall.

A. 5

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No:

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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VIDEOTAPE DEPOSITION OF JEFFREY CANCELLIERI

New York, New York

November 14, 2012

2:03 p.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27647-B

November 14, 2012

2:03 p.m.

Deposition of JEFFREY CANCELLIERI, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

JEFF CANCELLIERI

Q. What do you mean by, "if there was activity"?

A. The reserving logic is for actual repurchase claims that have been received. It's not related to a litigation reserve.

Q. Have you ever had a role at ResCap in determining reserves with respect to litigated claims?

A. No.

Q. Have you ever reported to Todd Kushman?

A. Yes.

Q. Todd Kushman is at Ally, is he not?

A. Yes.

Q. When did you report to Mr. Kushman?

A. November of 2011 through around April of 2012.

Q. Did your reporting structure change after April of 2012?

A. Yes. I currently report to Jim Whitlinger.

JEFF CANCELLIERI

Q. And where is Mr. Whitlinger employed?

A. ResCap.

Q. Okay. Why -- do you know why your reporting structure changed in April 2012?

A. It had to do with the bankruptcy proceedings.

Q. What do you mean by that?

A. They were, as they were preparing to file for bankruptcy, they were rebadging employees from AFI to ResCap or ResCap to AFI.

Q. And I apologize, if I'm slightly repetitive, but just to be clear, even though you were reporting to Mr. Kushman between November of 2011 to April of 2012, you were still employed by ResCap, correct?

A. That's correct.

Q. What were your responsibilities in your position, starting in November of 2011?

A. Reserving for rep and warranty

potential risk exposure numbers that were presented to Kathy Patrick by ResCap increased over time?

MR. RAINS: Objection. Assumes facts not in evidence.

A. I am not aware of what the settlement negotiations were.

Q. And were you ever asked by FTI or anyone at ResCap to provide any additional information beyond your initial submission of the 3 to $14 billion exposure range and 5 to 30 percent defect rate?

A. Not to my knowledge, no.

Q. Do you have an understanding as to how the 8 point -- do you have an understanding today that the ultimate settlement number for allowed claim in the settlement number was $8.7 billion?

A. I'm sorry, repeat the question.

Q. Do you have an understanding that the ultimate number that was set forth in the settlement agreement as a total allowed claim was $8.7 billion?

A. Yes.

Q. Do you have an understanding as to how that number was calculated?

A. I do not.

Q. Are you aware that ResCap identified you as the person with the most knowledge about how that number was calculated?

A. What I provided --

MR. RAINS: Objection. Assumes facts not in evidence.

A. What I provided to our legal experts who were negotiating the transaction was a total expected lifetime loss on the 392 trusts with a general range of exposure percentages to give them tools during their settlement negotiations. I was not part of the actual settlement negotiations. That was left up to the legal experts to go through that process.

Q. So at any time during the settlement negotiations did you provide to anyone at FTI or ResCap your opinion as to

JEFF CANCELLIERI

discussions.

Q. I appreciate that. But you previously testified you had discussions with Kathy Patrick about her assumptions, correct?

A. That's correct.

Q. Did you challenge the 22 percent defect rate that Kathy Patrick was using in that discussion?

A. I challenged all of her assumptions.

Q. What assumptions did you challenge?

A. I challenged their use of role rates for projected defaults, which were based on history. I challenged their use of an average severity rate, historical severity rate for future losses. And as part of the discussion around how they were using the Bank of America defect rate I guess as some level of guide, I didn't get into specifics, but the fact that it was based on an adverse selection of loans.

JEFF CANCELLIERI

Q. How was it based on an adverse selection of loans?

MR. RAINS: Objection. Vague and ambiguous.

A. Based on my discussion with her she mentioned that the 36 percent that was used in the Bank of America settlement was provided to her based on a review that Freddie Mac did of Countrywide's loans based on adverse selection. Adverse selection being loans that were nonperforming.

Q. And in fact the defect rates that ResCap was using was based on a selection of loans that is only loans that were sought to be repurchased, correct?

A. The defect rates were used as a guide. Specific defect rates were not used for any specific deals. They were used as a guide to create the range which was provided to our legal experts during our settlement negotiations.

Q. I understand that it was used at a guide. But you were complaining to

JEFF CANCELLIERI

Ms. Patrick that Bank of America's defect rate was based on an adverse sample, correct?

A. I wouldn't categorize it as complaining. I was challenging.

Q. Challenging that their defect rate was based on an adverse sample, correct?

A. Challenging that it was based on an adverse sample in order to assist our legal experts to give them additional guidelines on information that they can use during their settlement negotiations.

Q. And in fact the defect rates that ResCap was using as a guide in the settlement discussions were based on only loans that were either sought to be repurchased or independently audited within ResCap, correct?

A. Can you repeat the question?

Q. And in fact the defect rates that ResCap was using as a guide in the settlement discussions were based on only loans that were either sought to be you've calculated, correct?

A. Correct.

Q. And that's the number that you said never changed during your entire -- during your entire analysis, correct?

A. Correct.

Q. But Kathy Patrick calculated a separate lifetime loss, correct?

A. Yes.

Q. And her loss method was $48.7 billion, correct?

A. Yes.

Q. So that number wasn't actually a fixed number, was it?

MR. RAINS: Which number?

A. Which number?

Q. Pardon. The $44.1 billion loss was not a fixed number, was it?

A. My 44.1 billion was a fixed number.

Q. And using that number, you backed into a defect rate of 19.7 percent, approximately, correct?

A. Approximately, yes.

JEFF CANCELLIERI

Q. And that was done at the direction of Timothy Devine; is that correct?

A. That appears to be correct.

Q. And that 19.7 approximate number, that actually turned out to be 19.72 percent, when you got -- when you don't round, correct?

A. I would assume so, yes. The 19.72 is what showed up in the board presentation.

Q. So that same defect rate is what's shown up in the board presentation, correct?

A. Correct.

Q. And using -- but was the board ever told that, using Kathy Patrick's analysis, you could come up with a 17.9 percent defect rate?

A. Not that I'm aware of.

Q. Was the board ever told that a two percent difference in the defect rate is about a billion dollar difference?

A. Not that I'm aware of.

JEFF CANCELLIERI

Q. Are you aware that a two percent shift in the defect rate could equal a 2 -- a $2 billion difference?

MR. RAINS: Say that last one again?

Q. Are you aware that a two percent difference in the defect rate could amount to a billion dollar difference in the settlement value?

A. If you do the calculation, it could.

Q. And at the meeting you -- pardon. At the May 9th board presentation or board meeting, you, you were in attendance, as you've previously testified, correct?

A. Correct.

Q. And at that meeting the board was only given -- was only given that 19.72 percent range, correct?

A. Correct.

MR. RAINS: I'm going to make a belated objection, vague and ambiguous. I mean we know the board call?

A. Gary Lee had asked me to talk to Kathy about her specific assumptions, to get an idea of their calculated numbers.

Q. And after that call, you relayed to Gary Lee and others on the legal team your concerns you had with her assumptions?

A. Yes. I relayed to Gary Lee her assumptions and potential concerns with her assumptions.

Q. And then you were shown a second ago Exhibit 60, which is the board presentation from May 9th.

Do you recall that?

A. I do recall that.

Q. And that presentation includes the 36 percent Bank of America default rate?

Do you recall that?

A. It includes, yes, the baseline Bank of America defect rate.

Q. Was the board of directors of ResCap ever informed that you had raised concerns about using that 36 percent defect rate?

A. I don't know.

Q. But no -- you don't recall from that --

A. I don't recall from that meeting.

Q. Nothing, there was no discussion of that?

MR. RAINS: He says he doesn't recall.

A. I don't recall.

Q. But as you previously testified, that 36 percent was used as a comparison. It was presented to the board as a comparison to the 19.72 defect rate?

A. That is correct, at the direction of our legal counsel.

MR. DOLAN: I don't have anything else. Thank you, Mr. Cancelliere.

MR. RAINS: Any other takers?

MR. SHEEREN: David Sheeren from Gibbs & Bruns. Can we just take a

A. 6

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No:

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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VIDEOTAPE DEPOSITION OF JAMES WHITLINGER

New York, New York

November 15, 2012

9:39 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27649

November 15, 2012

9:39 a.m.

Deposition of JAMES WHITLINGER, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

JAMES WHITLINGER

A. I don't know.

Q. And this e-mail has two attachments, one of which is a notice of a telephonic meeting of the ResCap board to be held the same day at 3:00 p.m.?

A. Correct.

Q. And the second attachment is an agenda for that meeting?

A. Yes.

Q. And so this e-mail and the notice was informing the board that in less than an hour there would be a board meeting, a telephonic board meeting, correct?

A. Yes.

Q. And the meeting notice tells you and the other board meeting -- board members, that supporting materials will be distributed just before the meeting?

A. Yes.

Q. And on -- the agenda lists two items, the first of which is proposed legal settlement; is that correct?

A. That's correct.

JAMES WHITLINGER

Q. And you understand that proposed legal settlement refers to a discussion of the RMBS Trust Settlement Agreement?

A. I do today.

Q. Did you -- you understand that today?

A. Yeah. It says proposed legal settlement. And after looking at the materials, you know, and looking at what was in the materials it was regarding the RMBS Trust Settlement.

Q. But at the time you received this notice you hadn't received those two other documents, Exhibit 60 and 61, correct?

A. Correct.

Q. And so at the time you received this e-mail with the attached agenda you didn't know what the proposed legal settlement referred to?

A. Correct. It could have been multiple legal settlements.

Q. And the time allotted for discussion during the board meeting about that proposed legal settlement was 30 minutes, correct?

A. Correct.

Q. And you recall that the board spent about 30 minutes discussing that item on May 9th?

A. I don't recall how much time we spent on it.

Q. Do you know who decided that the board would hold a meeting at 3:00 on Wednesday, May 9th?

A. I don't know.

Q. Generally did you know who was responsible for deciding when and how ResCap board meetings would be convened?

A. Yeah. I mean we had Tom Marano or our lead counsel would, you know, regularly schedule board meetings.

Q. When you say your lead counsel, to whom are you referring?

A. For the case is Larren Nashelsky at the time and Gary Lee as well.

Q. And Mr. Nashelsky and Mr. Lee are outside counsel for ResCap at Morrison

& Foerster?

A. Yes.

Q. And so they would sometimes schedule board meetings?

A. They would let us know that they wanted to have a topic discussed, as well as our legal counsel Tammy Hamzephour.

Q. And do you have any reason -- withdrawn.

Do you have any knowledge as to why the board was informed about this meeting less than an hour before the meeting was scheduled to start?

A. Yeah, generally speaking, at that point in time we were having multiple meetings and getting updates on the status of various conversations that were going on with various parties.

Q. There was a lot of -- there were a lot of things going on that the board were considering during this period of time?

A. Yes.

Q. Take a look at Exhibit 60,

please. Do you recognize Exhibit 60 as an e-mail that Mr. Lee or that you and the board, other board members received from Mr. Lee on May 9th, 2012, at 2:38 p.m.?

A. Yes.

Q. And Mr. Lee attached to his e-mail the supporting information for the May 9th board meeting?

A. Yes.

Q. Now, these are the only board materials that were provided to the board for the May 9th board meeting, correct?

A. Per the -- per the documents here that I'm looking at here that -- that sounds right.

Q. Do you recall whether there were any other documents that provided to the board on or before the May 9th board meeting in connection with that meeting?

A. Well, you know this topic for PLS rep and warrant and discussion, there had been many documents that the board had seen over time related to PLS, rep and warrant type topics, not necessarily a settlement, but, generally speaking, PLS rep and warrant, the board's seen, you know, plenty, plenty of documents relating to this general area of rep and warrant.

Q. Can you recall any single document that the board had ever received before this that pertained to an analysis of the rep and warranty claims that were proposed being settled with Ms. Patrick and Talcott Franklin's clients?

A. I don't -- I don't recall.

Q. All right. The board never received any such documents before this day, correct?

A. I don't recall if they did or didn't.

Q. You agree that the board had only about 22 minutes before the 3:00 meeting to read and understand these board -- board materials before the board meeting was scheduled to start?

A. On a timing perspective. But again, I would tell you that when we talk about rep and warrant topics, the board

JAMES WHITLINGER

has had plenty of experience around this discussion with our advisors, with our accounting policy teams and in-house counsel.

Q. When you say on a timing perspective you agree that the board had only about 22 minutes to consider this before the board meeting started, right?

A. Yeah. That's what the timing of the e-mail stated.

Q. And what's your understanding generally of the chart attached to the e-mail that's entitled 2004-2007 PLS R&W analysis?

MR. RAINS: I'm going to have to -- I apologize I'm going to stand over your shoulder and look at the document. We weren't given copies so I'm sorry to interrupt but this is the only way I can see it.

A. So this schedule shows the ResCap issued deals and the original with principal balance of the loans. And so that was about $226 billion. The current balance of the unpaid principal balance was $63.3 billion. It shows a percentage of loans that were delinquent and then it showed that we had had just under $30 billion of -- of losses that were incurred on the original $226 billion of principal. And that, you know, we believed that $14.2 billion would be losses that would potentially be incurred in the future from this point in time. So the total lifetime losses were going to be, you know, $44.1 billion. And essentially that equated to a 19.5 percent lifetime loss of the $226 billion.

The next column over is, you know, Kathy Patrick's group and it showed what portion of the original 226 billion for all the same -- same buckets. And then it just has a percentage of total issued. So this is what the schedule was, that the ResCap settlement amount of $8.7 billion was the dollar amount that -- that would agreed to be the claim on the potential losses of $44.1 billion.

Q. What's your understanding of the items in the rows that refer to a ResCap, Lehman and Bank of America percentage defect rate?

A. Right. So the $8.7 billion divided by $44 billion I believe is the agreed rate of, you know, 19.7. And the Lehman claim amount in the BofA baseline I think were data points or observations that said that potentially those were rates that were in those specific deals.

Q. What are those specific deals?

A. You know, I don't -- I don't know their deals.

Q. Do you know who provided the 35 percent and 36 percent, as you called them, data points for this chart?

A. I'm not sure. I believe that Jeff Cancelliere may have helped provide information on this.

Q. Who is Jeff Cancelliere?

A. Jeff Cancelliere is a direct report of mine today. Jeff worked on the risk team and was our number cruncher, number expert for valuing loans. And so, you know, the 226 billion, identifying those, identifying the current balance, cumulative losses that had occurred to date, you know, what projected losses could be, he would be our person that was the numbers expert on that.

Q. And was Mr. Cancelliere your direct report on May 9, 2012?

A. Somewhere in the month of, you know, somewhere in thereabouts, you know, Jeff was reappointed to -- to be a direct report of mine.

Q. And on and after the time that he was appointed as a direct report of yours you were responsible for supervising and overseeing an ensuring the accuracy of his work?

A. Can you repeat or rephrase that?

Q. Sure. Once he be- -- once he was appointed as a direct report of yours you were then responsible for supervising and ensuring the accuracy of his work?

A. Yes.

JAMES WHITLINGER

Q. And who appointed him as a direct report of you?

A. You know, I was obviously party to that conversation and Tom Marano.

Q. Had Mr. -- Mr. Cancelliere before he was a direct report to you, was he a direct report to someone who was employed by AFI?

A. Yes. There was dotted line relationships.

Q. And so Mr. Marano then decided that Mr. Cancelliere would no longer report to somebody at AFI but would now report to you, correct?

A. Generally speaking, you know, we were separating the centers of excellence that had been created over time. We had shared services. And so we -- there was an alignment process going on in April, May, maybe sooner, I don't remember the exact timelines, where we made sure that the shared service people were repointed to ResCap for our areas.

Q. So it's your understanding that

Mr. Cancelliere prepared the information in this chart for delivery to the board?

A. Again, I know that Jeff worked on this type of information. I don't know that he actually created this chart.

Q. And to the extent there's any information in this chart that Mr. Cancelliere provided, that was misleading or mistaken, you would take responsibility for his work in that regard, correct?

MR. RAINS: Objection. Assumes facts not in evidence. Calls for speculation.

Q. You can answer.

MR. RAINS: You can still answer.

A. You know -- you know, we have employees that work for all of us that ultimately the buck stops with me.

Q. Which means that if Mr. Cancelliere put information in to this document that was provided to the board, information that was either misleading or

JAMES WHITLINGER

mistaken, you take responsibility for that?

A. Yes.

Q. Now, you understand that -- that Mr. Cancelliere did not independently determine that there should be a 35 percent defect rate for the Lehman claims referenced here and the 36 percent defect rate for the Bank of America claims referenced here, right?

A. Can you -- can you rephrase that?

Q. Sure. You understand -- the 35 percent and 36 percent numbers here, you know that those were not independently determined by Mr. Cancelliere, right?

A. I don't know if they were or they weren't.

Q. You understand that those percentages were provided to him and others at ResCap by Ms. Patrick?

A. I don't recall how -- how those numbers were determined.

Q. Did you, during the May 9th

board meeting, did you or any of the board members ask Mr. Cancelliere or anyone where the 35 percent and 36 percent defect rates came from?

A. I don't recall.

Q. No, you don't recall asking that?

A. I don't recall.

Q. And would it have been important to you as a board member in making decisions on May 9th to know that these 35 percent and 36 percent defect rates were provided by Kathy Patrick with whom ResCap was negotiating and were not independently determined by ResCap?

A. It's a data point.

Q. I understand that it's a data point. But would it have been important to you as a board member in making your decisions on May 9th to know that the 35 percent and 36 percent figures came from Kathy Patrick and were not independently created by Mr. Cancelliere or anyone at ResCap?

that or we didn't talk about it is my first point. If he -- if he challenged it, would I want to know that? Yes. That's fine. I would want to know.

Q. But you didn't know that on or before the May 9th board meeting?

A. I already answered that that I don't know that we did or didn't.

Q. But you have no recollection of that?

A. I have no recollection.

Q. Was the first time that you learned that the proposed settlement amount was 8.7 billion the time when you received this -- this board material from Mr. Lee?

A. Can you repeat the question?

Q. Sure. Did you first learn that the proposed settlement amount that's in the RMBS Trust Settlement Agreement was $8.7 billion when you received Exhibit 60?

A. Yes, that -- that -- that's my recollection.

Q. And it's your recollection that

when the board received Exhibit 60 that's the first time that the board was informed as a group that the settlement amount, the proposed settlement amount was 8.7 billion?

A. That's my recollection.

Q. Now, as of May 9, 2012, you had never spoken directly with Ms. Patrick, is that true?

A. I have never spoken with Ms. Patrick.

Q. May I ask you to take a look at Exhibit 61. Those are the board minutes for May 9th.

A. Okay.

Q. And you recognize those as the final minutes of the ResCap board meeting from May 9, 2012, that began at 3:00?

A. Yes.

Q. And does Exhibit 61 accurately -- accurately reflect what occurred at the meeting?

A. Yes. It's an -- an executive summary of the -- of the meeting.

settlement were -- were good based on their legal opinion.

Q. During the May 9th meeting were you advised whether the settlement agreement would release potential securities law claims against ResCap and its subsidiaries?

A. I don't -- I don't recall.

Q. So on May 9th did you -- withdrawn.

So on May 9th you did -- is it true that you did not know whether or not the settlement agreement included or excluded a release for securities law claims that the institutional investors and their trustees could bring?

A. I don't recall.

Q. On May 9th did you believe that all the rep and warranty claims that the institutional investors or the trustees could bring were being released against ResCap and its subsidiaries?

A. Yes. But, you know, that they would be released but there was the

JAMES WHITLINGER

MR. RAINS: Here you are referring to Exhibit 60?

A. Yeah, I'm referring to Exhibit 60. I recall Jeff Cancelliere talking through those numbers.

Q. When you say those numbers, what numbers are you referring to, the numbers on the chart in Exhibit 60?

A. The original balance, the current balance, the projected lifetime losses, et cetera.

Q. Do you recall anything that he explained in connection with the rows that pertain to the 19.72 percent, the 35 percent and the 36 percent defect rate?

MR. RAINS: Objection. Asked and answered.

Go ahead.

A. I know that we talked about the $8.7 billion and I don't know that it was Jeff Cancelliere or somebody from -- Gary, you know, Gary or Tammy Hamzephour. But that the $8.7 billion represented an agreed rate, if you will, of about

19.7 percent based on the lifetime losses that we had put forth.

Q. My question was you don't recall Mr. Cancelliere specifically discussing any of these percentages in connection with the spread- -- in connection with the defect rates, right?

MR. RAINS: Objection. Asked and answered.

A. I don't recall.

Q. In the paragraph after that there's a reference in the first sentence to Mr. Renzi reviewing and discussing the key assumptions in the preliminary economic recovery analysis of preliminary agreements reached with certain constituencies. This is an exhibit -- I'm sorry, I have gone back to Exhibit 61.

MR. RAINS: I know. Focus on this sentence first, okay. Mr. Renzi.

A. Yes.

Q. What is your understanding of that sentence?

MR. RAINS: Objection. The

JAMES WHITLINGER

Q. Right. So the parties -- withdrawn.

Go ahead. I didn't mean to interrupt you.

A. The ResCap settlement amount is that that 19.72 is that calculation.

Q. So it's your understanding that the -- the 19.72 percent was derived by taking the $8.7 billion settlement amount and dividing it by the estimated lifetime loss?

A. That's my understanding, yes.

Q. It was -- it was not derived by ResCap independently determining that 19.72 percent was the, was a valid or a reasonable defect rate to be applied to the settlement, correct?

MR. RAINS: Objection.

Misstates his testimony.

A. [redacted] And that there was a

JAMES WHITLINGER

takes into consideration the litigation defenses and the other litigation issues that you just testified about?

MR. RAINS: Objection. Asked and answered.

A. Again, I don't know how to answer your question any differently than I have -- I have answered before.

Q. Did the board consider or get any information about the specific litigation defenses against these rep and warranty claims?

A. I -- I don't recall.

Q. Do you recall whether or not the board was given any information about whether or not there were any statutes of limitation that might bar some of Ms. Patrick's clients purported claims?

A. If -- if you're -- are you asking me in this -- in the May 9th, if we talked about statute of limitations, I don't recall. I know that we have always talked about statute of limitations when talking about rep and warrant claims.

JAMES WHITLINGER

Q. But you had no recollection of a discussion about statute of limitations during the May 9th meeting?

A. I don't recall.

Q. Is it your understanding that just because there's a loss associated with the mortgage that is considered a defect but that doesn't necessarily mean that ResCap or its affiliates are liable for any or all of the loss?

A. Since you used the word "liable" I'm going to again defer to our -- our counsel. Lawyers determine liability.

Q. So was it your understanding on May 9th -- withdrawn.

Did anyone provide the board on May 9th with an analysis of how much it might cost to litigate the claims Ms. Patrick was -- was asserting as compared to settling the claims around May of 2012?

A. Can you repeat the first part of the question?

Q. Sure. Did anyone advise or

JAMES WHITLINGER

say we are in or we are out, right?

MR. RAINS: Objection. Calls for a legal conclusion.

A. I -- I would rely on Tammy Hamzephour for that.

Q. As you sit here today, if the trustee in a wrapped deal opts in to the settlement, what is your understanding of what would happen to any other claims with the monoline for that wrapped deal would have?

MR. RAINS: Objection. Calls for a legal conclusion.

A. I'm going to defer you to Tammy. Those are good questions for Tammy Hamzephour.

Q. I want your understanding, Mr. Whitlinger. I understand you are a lay person. I want your understanding.

MR. RAINS: Objection. Calls for a legal conclusion.

Q. I'd still like your understanding. Mr. Rains can object on that grounds but it's not a valid

JAMES WHITLINGER

objection that prevents you from answering the question.

MR. RAINS: It's a valid objection.

Q. There's no instruction not to answer it. So you can answer the question.

A. Can you repeat the question? I'm sorry.

Q. Sure. In the context of a wrapped deal, if the trustee from that wrapped deal elects to opt into this settlement, what effect, if any, would the trustee's decision to opt into the settlement agreement have on the monoline from that wrapped deal's claims against ResCap and its affiliates?

MR. RAINS: Objection. Vague and ambiguous. And it calls for a legal conclusion.

Go ahead and answer it.

A. I don't know the answer, the specific answer to that question.

Q. Did you know the answer to that

A. 7

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No.

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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DEPOSITION OF JEFFREY A. LIPPS

New York, New York

November 19, 2012

10:13 a.m.

Reported by:
JENNIFER OCAMPO-GUZMAN, CRR, CLR
JOB NO: 27971

November 15, 2012

10:13 a.m.

Deposition of JEFFREY A. LIPPS, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Jennifer Ocampo-Guzman, a Certified Real-Time Shorthand Reporter and Notary Public of the State of New York.

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those suits in which affiliated nondebtor entities were named.

Q. Are there any suits filed against the debtors --

MR. BENTLEY: Let me start again.

Q. Have any suits been filed against the debtors by RMBS trustees?

A. Prepetition?

Q. Correct.

A. I don't -- I don't believe there were any suits in which a trustee was the plaintiff.

Q. And just so we're clear, no trustee suits have been filed against the debtors post petition, have they?

A. I think that would violate the automatic stay.

Q. That's fine.

A. I just wanted precision in your questioning. Sorry.

Q. Now, the principles that govern monoline suits differ, in some respects, from the principles that govern suits by RMBS trustees?

filled in. But I don't know whether the amount was ever filled in while I was aware of it.

I then went off on other projects.

MR. RAINS: The question was conversations.

A. Well, the conversations would only be in the context of a draft agreement.

Q. Were you at any point asked to give any advice, in connection with the potential settlement with Ms. Patrick?

A. I was not.

Q. Did you ever at any point give any advice in that regard?

A. Well, I've offered an opinion here as to whether I think the settlement is fair and reasonable.

Q. Let me try again.

At any time before the execution of that settlement, did you give any advice to anybody about it?

A. No. As I told you, we weren't involved in negotiations. We were not involved in any presentations to the board.

Lipps

Q. Or giving advice to anybody?

A. I didn't give advice to anybody about the settlement.

Q. At either the debtors or at Ally?

A. I had no discussions with Ally about the situation we're talking about right now.

Q. When did you first begin to consider the issues addressed in your settlement declaration?

A. You know, I've thought about that, because I knew you were going to go ask me that. And I seem to recall that I had been asked by Morrison & Foerster to do the analysis that is reflected in my supplemental declaration sometime maybe in August, I want to say, just because I think there was a deadline that was then extended to the end of September.

And so I would have had some early first discussion about this exercise, and I want to say it was sometime around August; but with the schedule then changed, I started working on it over, you know, the course leading up to when it was filed.

MR. BENTLEY: I assume we are going to break for lunch. This is probably a good time, because I'm between topics.

Should we take a brief break for lunch?

MR. RAINS: Only come back at 1 o'clock.

MR. BENTLEY: It's up to you.

MR. RAINS: Well, less than that.

What do you need?

MR. BENTLEY: Should we take 20 minutes?

MR. RAINS: Good. Fantastic.

(Lunch recess taken at 12:25 p.m.)

Lipps

be a lot quicker and more efficient if you listen to my question and answer the question I'm asking.

MR. RAINS: Sir, the problem is entirely with the questions and not with you, you are doing fine.

Ask a new question.

Q. Did you make any attempt to quantify the rate of breaches in the loans covered by the settlement?

A. Yes. And what I did was I looked at, from my experience in litigating these claims, which included claims that were in this settlement, trusts that were in this settlement, I knew firsthand that there were assertions that had been made of breach rates at 80 to 90, even approaching 100 percent, I'm somewhat bound by confidentiality because the litigation was in MBIA, for example, had a confidentiality order and there were some preliminary expert report -- well, not preliminary -- there were expert reports that were submitted that had much information about what the plaintiff was contending in terms of the percentages of loans that were subject to material breaches.

So, yes, I did quantify that in my mind, because that was the upper end of the exposure. If they were right and if a plaintiff is right, and this thing went to litigation and the projected losses are 45 billion and the breach rate is 100 percent, then that's $45 billion worth of exposure.

Q. So this was the plaintiff's position, correct? MBIA's position?

A. Right.

Q. Now, you had your own view, didn't you, which you discuss in paragraph 120 of your supplemental declaration?

MR. RAINS: Take a moment to read paragraph 120 please.

A. I wrote paragraph 120.

MR. RAINS: And you should look at 121 as well.

MR. BENTLEY: Darryl, you don't need to coach the witness. He doesn't need your help and it's improper and you know that.

whether or not 8.7 billion was a fair and reasonable resolution of that exposure.

Q. In reaching your conclusion, I take it, you considered a number of disputed legal issues?

A. I did.

Q. And you identified in your supplemental declaration the principal legal issues you considered, correct?

A. I wrote extensively on the various issues that I took into account.

Q. You certainly did.

Did you assign percentages to the potential outcomes on any of these issues?

A. I don't think, I don't think that would have been meaningful to do that, because I don't think any of those were a legal issue that would be dispositive on the entirety of the settlement in determining whether or not it was fair and reasonable.

Q. So is the simple answer to my question you did not assign any such percentages?

A. Well, I weighed the importance of

Lipps

the legal issue in my own mind to the case, and as I said, I didn't conclude any of them was dispositive, but in combination, they created the legal environment within which I evaluated the settlement.

Q. I'm not asking you about the relative importance of different issues. I'm asking you about your assessment of different outcomes.

Did you assign percentages to any potential outcomes on these disputed legal issues?

A. Are we back to what you called litigation risk analysis?

Q. It's sort of like that.

A. I did not engage in that, no.

Q. You didn't assign any percentages to any possible outcomes?

A. No. If you're saying whether I believe that I could prevail on causation at a certain percentage or certain amount of times, I did not do that.

Q. Did you, as part of your analysis, merely identify disputed issues or did you

Lipps

take into account probabilities, if not actual percentages, but probabilities of some sort as to the potential outcomes?

A. I mean I considered probabilities to the extent that I identified the issue, and then I surveyed, based on my own experience in the state of the law, what was evolving on that issue and tried to assess whether or not it was decided, for example, in a way that would allow for some certainty in evaluating that issue, or whether it was undecided, and I think on all the key issues, the state of the law was such, there were good arguments or at least arguments that had been presented and not dispositively ruled on on both sides of the issue. So assigning probabilities would have been meaningless to evaluating the reasonableness itself.

Q. So you didn't try to assign any probabilities?

A. Based on the analysis I just described, I concluded that assigning probabilities would have been meaningless.

Q. Is that true --

the settlement, did you have an understanding of what claims would be released against the debtors?

A. I believe I testified earlier that I saw the settlement agreement itself, the release language which discussed claims that were subject to the release as a result of the settlement, and I believe there was a provision or two that made it clear certain claims were not being settled.

Q. And in addition to your review of the settlement agreement, did any representative of the debtors tell you to assume that certain claims would be released?

A. In connection with this assignment?

Q. Yes.

A. I looked at the executed and submitted settlement agreement.

Q. And did you seek any advice from anyone representing the debtors or anyone else as to what would be included in the claims that were being released under the settlement agreement?

A. I read the settlement agreement and

A. 8

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Cae No:

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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VIDEOTAPE DEPOSITION OF TIMOTHY DEVINE

New York, New York

November 19, 2012

10:17 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27973

November 19, 2012

10:17 a.m.

Videotape Deposition of TIMOTHY DEVINE, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

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was forward -- it looks like she was forwarding something to Talcott Franklin. I -- I don't see an exhibit attached to the e-mails here.

Q. Looking at the e-mail at the bottom of the first page from Mr. Franklin to you on December 23, 2011, you received that e-mail?

A. It looks like I did.

Q. And it related to a tolling agreement, correct?

A. The subject line is FWD: Tolling Agreement.

Q. Mr. Franklin says "Here it is. Added agreement date, fixes spelling on company and accepted your changes. I will get my client to sign."

Does that refresh your recollection that you had received a draft tolling agreement and had made some changes to it?

A. I don't remember that in particular.

Q. Weren't you the one who was

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coordinating the discussion with Mr. Franklin much as you were with Ms. Patrick?

MR. BRYAN: Objection to form.

MR. PRINCI: Objection to form.

A. I -- I did correspond with and communicate with Talcott Franklin on behalf of the -- the ResCap clients, yes.

Q. In the last e-mail in this chain, which appears at the top of the exhibit, the e-mail is from you to Mr. Franklin on January 6, 2012.

Do you see that?

A. Yes.

Q. And you sent that e-mail, didn't you?

A. It looks like I did.

Q. And in that e-mail you suggested dates for a meeting with Mr. Franklin, correct?

A. That's what it looks like.

Q. Did you thereafter schedule a meeting with Mr. Franklin?

A. I believe a meeting was

period ended March 31, 2012. But I -- but I'm in no position to authenticate that this document is what the front page of it indicates it is. That's not in my job.

Q. It's already been authenticated, Mr. Devine. You saw the 10-Q at the time it was filed?

A. I can't say I saw the 10-Q. I probably saw parts of it.

Q. Did you participate in its preparation?

A. I gave advice to the client in connection with its preparation.

Q. The 10-Q was filed on April 27, 2012, right?

A. I don't know.

Q. Take a look at page 73.

A. Okay.

Q. And directing your attention to the heading Potential Losses, Litigation Repurchase Obligations and Related Claims. Do you see that?

A. Yes.

Q. Did you participate in the

TIMOTHY DEVINE

preparation of any of the material under this heading?

A. Yes.

Q. The paragraphs under that heading, until you get to the number 25 that says Subsequent Events, up until that, those are part of note 24, which begins on page 66, correct?

A. It may be a copying issue but I have a blank page at page 66.

Q. Okay. On the other side of it. On the other side of what appears on this copy of the exhibit to be a blank, you see the notes? This is all part of note 24, right, that runs from that page, and it doesn't have -- it's a copying error, the 66 which is on the back. It runs from there to page 73. Can we agree on that?

A. I -- I -- what are we agreeing on, sorry?

Q. That note 24 -- let's -- let's do it this way. That the material on page 73 up until you get to the note 25 begins on the page following page number 65 in

TIMOTHY DEVINE

of a defect rate of a nonloan level for those populations.

Q. Okay. And the next line under Additional Items says "Potential investor/securities litigation." Do you see that?

A. Yes, I see it.

Q. Is the amount shown for that item $400 million, the estimate of exposure for securities fraud claims at that point?

A. No.

Q. Okay. What does it represent?

A. As I sit here today, my memory is that it represents the estimated top end of the range of reasonably possible losses for ResCap over time related to litigation and -- repurchase obligation of related claims. Meaning, as I understand, that would have been subject to certain stresses beyond what the estimated exposure would have been.

Q. Mr. Devine, I was only focusing on the line that says "Potential investor/securities litigation." And there's a $400 million number next to that. Wasn't that some estimate of the possible or reasonably possible range of loss for securities litigation?

MR. BRYAN: Object to form.

A. Yeah. Well, there's a lot of detail behind that line. And as I sit here today, I just can't remember the detail. But as I recall, that would have been a number subject to a variety of stresses that were imposed on the process from outside of this sort of legal advisory function.

Q. Right. Okay.

A. That's the more complete answer.

Q. Let me show you what's been marked previously as Exhibit 83.

A. Thank you.

Q. Which is an e-mail chain on May 4, 2012. There are two e-mails in this exhibit. Did you receive the one from Mr. Lee on May 4?

A. Yeah, it looks like I did. Yes.

of the conversation, at least from my perspective in the deal.

Q. Mr. Devine, given what you have claimed is your limited expertise, why were you injecting yourself into the discussion on these matters? Why didn't you just let Mr. Schrock and Mr. Lee hash it out?

MR. BRYAN: Objection as to form.

A. I was driving a deal to conclusion.

Q. What deal?

A. The deal that is represented in gross by the resolution between the ResCap estate and the RMBS claimants, both the Kathy Patrick and Talcott Franklin in the one sense and also the tripartite agreement between Ally, the ResCap entities and the claimants. And I thought it was a good deal and I still to this day think it's a good deal. And I saw that to my mind anyway the essential elements of a deal had been worked out that were

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favorable and fair to all concerned and I wanted to get the deal done as I understood we were on a certain timeline.

Q. Looking at the top e-mail in the chain from Mr. Lee to yourself, among others, at 10:54 a.m. on May 9th, did you receive that e-mail?

A. It looks like I did, yes.

Q. And Mr. Lee wrote, "We will be seeking ResCap board approval today. Does Ally's board need to approve as it is signing the PSA and ResCap is agreeing to settle a claim in excess of 25 million, which requires Ally approval under Ally's governance framework. Please let us know."

Did AFI's board need to approve?

A. I don't know.

Q. Did Mr. Lee, to your knowledge, receive a response to his inquiry?

A. I don't know.

Q. Does Mr. Lee's reference to the ResCap board -- his reference to seeking ResCap board approval today, meaning

TIMOTHY DEVINE

their claims?

MR. BRYAN: Object to form. I knew -- I certainly knew that the monolines were not a signatory party to the settlement. But it was my understanding that the claims that they would or could enunciate in connection with the securities subject of the settlement would be included within the scope of the allowed claim.

Q. You said, "And we can define securities claims narrowly." What do you mean by that?

A. What I meant by securities claims was claims brought by securities holders on traditional federal securities law or state blue sky or the closely Allied state common law fraud claims that would be characterized typically as a securities based claim.

Q. A bit further down in your e-mail you said "The circle is squared at the plan. KP can only get us the everything but securities settlement release because that is the full extent of her representation. She has been clear about that. Same as in her" BofA -- "B of New York Mellon work, etc."

Do you see that?

A. Yes, I do see that.

Q. And then you said "But notice, though her clients don't release securities claims, they sign plan support agreements and the plan includes very simple comprehensive releases, which of course include third-party release of all claims which of course includes securities claims. Presto. So while she can't represent parties in giving up their securities claims, clients face a choice, either sign up with the settlement to make sure your trust receives monies under the waterfall in which case you need to sign the plan support agreement and support the plan. And the plan wipes out all their claims of any sort. This is the beauty of it."

Do you see that?

TIMOTHY DEVINE

A. I see that.

Q. So you were explaining how execution of the plan support agreement achieved releases of securities claims even if the settlement agreement itself did not, correct?

A. What I was explaining is that in signing up for the settlement agreement between ResCap and -- with ResCap those parties were committing to sign a plan support agreement simultaneously, which to my understanding represented their valuation of the securities claims they were giving up and therefore they were supporting a plan which would include release of securities claims against the debtor and release of securities claims, such as they might be, against Ally Financial.

Q. And you thought that was pretty clever, didn't you?

MR. BRYAN: Object to form.

MR. PRINCI: Objection as to form.

going on at that time and I have no idea whether there were any intervening e-mails between me and Jamie that were responsive to this one before I received this.

Q. Whatever, Mr. Devine, did you receive the e-mail that Ms. Levitt sent at 1:16 a.m. on May 11th?

A. Looks like I did.

MR. KAUFMAN: Let's mark as Exhibit 154 another e-mail chain, this one on May 12, 2012.

(9019 Exhibit 154, e-mail chain dated May 12, 2012, marked for identification, as of this date.)

Q. Looking at the first e-mail in the chain, which begins at the bottom of the exhibit and continues over to the next page. Did you send that e-mail to Ms. Levitt, Mr. Lee, Mr. Ornstein and Mr. Ruckdaschel at 4:22 p.m. on May 12th?

A. It looks like I did.

Q. The subject of your e-mail was the question, "Has Talcott Franklin signed on without reservation to support the plan, including broad third-party release of all claims against Ally, etc., including securities claims." Right?

A. That's what the subject line is.

Q. And did you receive Mr. Lee's e-mail at 4:26 p.m. in response to that e-mail?

A. I see that Gary Lee sent an e-mail to pretty much the same group of people at 4:26.

Q. And you received that e-mail from Mr. Lee, didn't you?

A. That's what it looks like.

Q. Okay. And Mr. Lee said, "It's complicated." And that, "We sent Talcott the agreement the way we wanted it and told him he couldn't really negotiate it. But if KP doesn't sign, I don't know if he will."

Do you see that?

A. I see that that's part of what his e-mail says.

Q. Right. And the e-mail at the top is your reply to Mr. Lee, correct?

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getting authority from his clients to sign the plan support agreement and I was indicating to him in that last sentence, I can't expose Ally to any claims however remote, the importance of including all claims of any type in the plan support agreement. And the reference to however remote was with regard to the frequent and consistent communication I had -- had had with Talcott Franklin and with Kathy Patrick, for that matter, from the beginning that rep and warrant claims as against Ally are -- were not viable legally or factually. And that we also did not believe that there was exposure to Ally in the securities claims.

Q. That was your position. But you needed the same release provisions for Mr. Franklin as you had with Ms. Patrick, right?

MR. PRINCI: Objection as to form.

A. When you say I needed them, what did you mean.

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Q. But under the terms of settlement agreement the trusts are presented with the option to opt in or opt out, right?

A. Well, I can't profess to have an encyclopedic memory of what terms, what the terms in the agreement indicate with regard to the options that the trusts faced. I just don't.

Q. Let's go back to your understanding of the monolines for a second. As you sit here today, are you aware of anything in the agreement that would carve the monolines claims out of the scope of the settlement agreement that was reached between the debtors and Ms. Patrick?

A. I'm not aware of anything that would carve the monolines claims out of the $8.7 billion allowed claim.

MR. JURGENS: Let's scroll to -- we have a hard copy now. That's wonderful. So we don't have to scroll.

TIMOTHY DEVINE

(Handing.)

A. Thank you.

Q. If you can flip to section 8.02 of the agreement, please.

A. For the record, this has previously been marked as 120; is that correct?

Q. This document has been marked several times but 120 sounds right to me.

A. I just want a clean record.

Q. No. Thank you.

A. Section 8.02?

Q. Yes, please. I'll just read it for you, Mr. Devine, while you were flipping through. It says "Financial guarantee provider rights and obligations. To the extent that any third-party guarantor or financial guarantee provider with respect to any trust has rights or obligations independent of the rights or obligations of the investors, the trustees or the trusts, the releases and waivers in Article 7 are not intended to and shall not release such rights."

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Do you see that?

A. I see that.

Q. As you sit here today, what is your understanding of section 8.02?

MR. BRYAN: Object to form.

A. I don't -- I haven't formed an understanding of that provision.

Q. A few moments ago you said it was your understanding that the monolines claims would come out of the 8.7 billion, right?

A. That's correct.

Q. Can you reconcile that testimony with the words we see in section 8.02?

A. You've asked me to pick one provision out of this agreement and it just feels to me unfair. It's totally out of context.

Q. So do you have any reason to believe that if we sat here on the record and you sifted through the balance of that agreement and looked at every single word, sentence and paragraph in there, that you'd find something that would be able to

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reconcile your testimony that the monolines claims would have to come out of the $8.7 billion settlement with section 8.02?

MR. BRYAN: Objection to form.

A. Well, it says here and it's phrased fairly carefully, "To the extent that any third-party guarantor or financial guarantee provider with respect to any trust has rights or obligations independent of the rights or obligations of the investors, then the release and waivers in Article 7 are not intended to and shall not release."

By which I understand that the parties didn't take a position as to whether or not the financial guarantee provider as subject to section 8.02 did or did not have rights independent of the rights or obligations of the investors, the trustees or the trusts but came to perhaps agreed to disagree as to whether such financial guarantee providers did or did not have such rights and determined

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that to the extent that eventually it was determined that they did have such independent rights that they would not be covered by Article 7.

Q. You just used the phrase "independent rights." What independent rights would a monoline have? I'm just looking for your understanding.

A. I'm not going to enunciate any rights, independent rights a monoline has. You asked me to reconcile section 8.02 with my understanding that the monolines would take within the $8.7 billion claim.

Q. So is it your testimony --

A. And I did.

Q. Is it your testimony then that you don't believe that the monolines have any rights that are independent of the rights of the investors as trustees or the trusts?

MR. BRYAN: Objection to form.

A. Why are you asking me what rights the monolines have?

Q. May I have an answer to my

describe as the RMBS or put back litigation, and I'd include in that definition both the monoline claims that were in litigation and any put back claims that -- that might have been asserted?

A. The first substantial contact I had within my job duties with the mortgage business was in the summer of 2010 when the FHFA propounded 64 subpoenas across the industry and I was asked to coordinate the response to the subpoenas that were issued to the company.

Q. Did you supervise outside counsel with respect to the monoline litigation either MBIA or FGIC litigation?

A. Have I done that?

Q. Yes.

A. Yes.

Q. When you were representing AFI from the time of the October letter that Ms. Patrick sent to the signing of the settlement agreement, were you solely representing AFI or were you also representing ResCap during that time

TIMOTHY DEVINE

period from October forward?

A. Well, we should probably be careful with regard to what you mean by representing. The -- as I recall, the first communication from Kathy Patrick came in to Bill Solomon in his capacity as general counsel of Ally Financial, Inc. He responded by indicating to Ms. Patrick that Ally Financial, Inc. did not have exposure of the variety that she wanted to talk about settling. And referred her to Tammy Hamzephour, general counsel for ResCap.

What -- my participation in connection with meeting with Ms. Patrick, I think Mr. Sheeren was there at the first meeting in Minnesota, I don't recall exactly. But in any event, I was there in my capacity as chief counsel for litigation for ResCap, given that Ms. Patrick purported to represent clients who purported to have rep and warrant essentially contract claims against the contracting parties, all of whom were

TIMOTHY DEVINE

within the ResCap structure and none of whom were within the Ally structure.

Q. So at that time in that meeting, if I understand, it took place sometime between October, November, December, sometime in 2011, the last quarter?

A. I don't recall when it took place. I think we have had some testimony on it today. If there's a document we could refer to it.

Q. I'm going to try to do this without -- without taking the time to go back to the documents.

A. Okay, thank you.

Q. So initially you were representing ResCap in what I will call the Kathy Patrick negotiations with respect to her claims?

A. Well --

MR. BRYAN: Objection to form.

A. I -- I understand that you would call them negotiations. So I think that term is going to end up being understood in a number of different ways. What --

TIMOTHY DEVINE

what went on for some period of time with Kathy Patrick was an exchange of communications designed to understand the nature of her representation, who her clients were, what kind of claims they were purporting to make. And so to the extent that that is a prelude to or a part of or a type of negotiation, yes. So for a period of time I was supporting those discussions in my capacity in support of the ResCap entities.

Q. You understood that Ms. Patrick was asserting that ResCap owed her clients a substantial amount of money?

A. Yes.

Q. So you -- did she at some point -- what was the first, her first demand or her first claim that she made against ResCap, do you recall?

A. As I sit here today, I don't recall her first demand.

Q. Did she ask for $10 billion?

A. Now, you are talking about once the discussions started to take place for

TIMOTHY DEVINE

a compromise of those claims within the context of a ResCap filing.

Q. At any point?

A. Yeah. So I believe that she did at one point in the negotiations but now this was within the context of a potential ResCap filing at which time I was not representing ResCap in connection with a potential resolution of claims against the ResCap estate.

Q. Okay. So if I understand your testimony correctly, you initially started out representing ResCap and then at some point you were no longer representing ResCap. Could you explain to me when your role and responsibility changed?

A. I think you've slightly misunderstood but I don't blame you. At some point -- because it wasn't entirely clear, right. At some point -- look, when we started the discussions with Kathy Patrick, I was representing the ResCap entities in connection with the assertion that they had -- that Kathy Patrick did

TIMOTHY DEVINE

represent clients who did or did not under the relevant documents have contract claims against ResCap. And that was natural because I had been dealing with that kind of assertion of claim, although not by investors and trustees but rather by the monolines against the ResCap entities theretofore.

At some point ResCap began to consider a Chapter 11 restructuring. I did not represent ResCap at all in connection with this Chapter 11 restructuring, unless you consider the nature of our discussions according to the common interest or joint defense privilege in which case that's why I don't blame you for misunderstanding the nature of what I just talked about. But so, yes, I did represent ResCap in connection with the sort of bilateral claim of Kathy Patrick's clients against the ResCap entities and rep and warrant. Once the context of the restructuring became a part of that dialogue, ResCap was represented by Gary

TIMOTHY DEVINE

Lee of MoFo. I never represented ResCap on a bankruptcy related resolution. At least unless you -- as I say, I did continue to advise ResCap in connection with plain sort of legal analysis on rep and warrant issues but not so much as would be implicated in connection with the filing.

Q. Thank you for that and let me try to make sure I understand correctly. To try to summarize. In the beginning of from October for some period of time in the initial stages that you've described as essentially information gathering stages, you were representing ResCap. By the end, by the April and May time period that we have looked at a variety of e-mails by that time period you were no longer representing ResCap, you would have solely been representing AFI, is that correct, am I bracketing the change in role correctly?

A. No. I think you are missing one part of it. But it's -- it's directionally correct. So first of all, the difficulty with the word "representing" given that there were no pleadings in the matter, nobody appeared as counsel of record, et cetera. So let's for a moment agree that the term "representing" is somewhat subject to a variety of definitions and understandings.

Q. I would use representing as representing in the context of the negotiations. Representing a client, be it AFI or ResCap, in dealing with Ms. Patrick or the Talcott Franklin group that came in at the end. If you understand that.

A. Uh-hum. So there -- there were certainly throughout the relevant period transactions and discussions, communications -- transactions meaning information exchange, et cetera, between the ResCap parties and Kathy Patrick on the one hand or Talcott Franklin on the other, which I assisted and advised ResCap in accomplishing.

TIMOTHY DEVINE

At the same time I was representing -- I was chief counsel to Ally as well so of course I was advising both ResCap and Ally in connection with the -- the claims that Kathy Patrick purported to make on behalf of those clients.

Q. When you were representing ResCap in the initial stages of this discussions and negotiations with Ms. Patrick, who did you report to at ResCap?

A. I certainly included Tammy Hamzephour in any discussions. She was general counsel to the ResCap entities. I had conversations with and gave advice to and took input from a variety of business clients.

Q. So in addition to Ms. Hamzephour you spoke to other not -- not in-house counsel but other business representatives at ResCap?

A. Yes.

Q. Do you recall who that would be

in the initial stages?

A. Sure. So but in what capacity, as sort of an information source, as a -- as a normal business client or in sort of a decision-making --

Q. In any capacity you were representing them in the initial stages of these discussions and negotiations with Ms. Patrick.

A. I had communications with Tom Marano, with Jim Whitlinger, with Jeff Blashco (ph), Jeff Cancelliere. This was my -- as in-house counsel I had naturally the information and expertise relating to the rep and warrant claims that Kathy Patrick and her clients purport to make. It was all contained within ResCap. That was my resource base, that was my client base, that's where the decision-making authority with regard to whether or not to engage in real settlement discussions or not. That's -- that's where all that took place with the ResCap client.

Q. Why was it decided at some point

that you would no longer represent ResCap and solely be representing AFI?

A. I'm going to answer your question without revealing privileged communications. At some point it was determined that people performing functions like the one I was performing, which spanned across -- across the Ally, the nondebtor to the debtor line, should reorient so that they were aligned with one or the other. And that was a process that took place across the various business units and functions to the extent that there was any overlap.

Q. Do you know when that was?

A. With regard to my own role?

Q. Yes.

A. I don't know exactly when it was. I understand you would think I would have an exact date and hour. I don't. But because -- the reason I don't is because it's probably accurate to say that in some measure I continued to be a resource for the ResCap client even as

TIMOTHY DEVINE

they retained MoFo to represent them in connection with rep and warrant and in connection with rep and warrant in a bankruptcy context, simply because I had a great deal of experience in connection with the claims that were being asserted against the estate and because, as you know, many of us believed that we had a common interest in joint defense. And in fact at some point a document was executed to that effect.

So it's not a straight line, drop dead date after which I was no longer providing advice to either a client of sorts or a co, sort of a party subject to a common defense or joint defense agreement.

Q. I think I understand. To your knowledge, when did ResCap become insolvent, and I would define that on a balance sheet basis when its total assets were less than its total liabilities?

A. I don't know.

MR. BRYAN: Objection.

A. 9

Kathy D. Patrick
kpatrick@gibbsbruns.com
713.751.5253

October 17, 2011

Via Federal Express

William B. Solomon, Jr., Esq.
General Counsel
Ally Financial Inc.
200 Renaissance Center
Detroit, Michigan 48265

Dear Mr. Solomon:

This firm represents investment advisers and holders of Residential Mortgage Backed Securities (RMBS) issued and/ or underwritten by Ally Financial Inc. and/or its affiliates ("Ally"). The aggregate outstanding balance of the 242 Ally deals in which our clients collectively hold 25% or more of the voting rights of a class in that deal, exceeds $51 billion. The aggregate outstanding balance of the 173 Ally deals in which our clients collectively hold 50% or more of the voting rights of a class in that deal, exceeds $36 billion.

There is widespread, readily available evidence suggesting that large numbers of mortgages securing the certificates held by our clients were sold or deposited into the RMBS pools based on false and/or fraudulent representations and warranties by the mortgage originators, sellers and/or depositors. This evidence includes, but is certainly not limited to:

- excessive early default and foreclosure rates experienced in the underlying mortgage pools;
- a loan-level analysis of Ally RMBS conducted by the Federal Housing Finance Agency (FHFA), which revealed that up to 13% of the mortgage loans in Ally RMBS breached owner-occupancy representations and warranties, and that up to 49% of the mortgage loans in Ally RMBS breached Loan-to-Value representations and warranties[1];

[1] Our clients collectively hold 25% or more of the voting rights of a class in 18 of the 21 Ally deals which FHFA analyzed.

- MBIA's lawsuits against Ally, reporting that its loan-level analysis of various Ally RMBS showed that high numbers of mortgages in the pools were ineligible at origination[2];

- detailed allegations in securities cases against Ally, which suggest widespread deficiencies in Ally's underwriting practices, including inaccurate representations and warranties regarding important loan characteristics such as borrower incomes and home appraisals[3];

- substantial downgrades of the certificates by credit rating agencies; and

- Ally's own apparent acknowledgement that it is potentially liable for violations of representations and warranties in Ally RMBS, evidenced by its $829 million reserve for repurchase liabilities as of June 30, 2011, which relates "primarily" to non-GSE exposure,[4] as well as its statement that such liabilities are "most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages ***that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward***."[5]

In addition, there is widespread, readily available evidence suggesting that Ally, as servicer and/or master servicer of mortgage loans securing the certificates held by our clients, has failed to observe and perform the covenants and agreements imposed on it by the governing agreements, and has failed to meet its duty to prudently service those mortgage loans, including, but certainly not limited to:

- Ally's admittedly flawed and "embarrassing"[6] mortgage loan servicing and foreclosure practices, including deficient document signing practices, leading to Ally's foreclosure suspension and review in Fall 2010;

- Ally's April 2011 consent order with the Board of Governors of the Federal Reserve System and the FDIC, which alleged that, in connection with certain

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[2] MBIA has reported that 89% of adversely selected loans from 3 separate GMAC securitizations were not originated in material compliance with GMAC's underwriting guidelines or representations and warranties. *See* Complaint ¶ 6, *MBIA Ins. Co. v. GMAC Mortg., LLC*, No. 600837/2010 (N.Y. Sup. Ct.). MBIA has also reported that 93% of adversely selected loans from 5 separate RFC securitizations were not originated or acquired in material compliance with RFC's representations and warranties. *See* Complaint ¶ 46, *MBIA Ins. Co. v. Residential Funding Co., LLC*, No. 603552/2008 (N.Y. Sup. Ct.).

[3] *See, e.g.*, Complaint, *Mass. Mut. Life Ins. Co. v. Residential Funding Co.*, LLC, No. 3:11-cv-30035 (D. Mass.).

[4] *See* Ally Financial Inc.'s Second Quarter 2011 Form 10-Q at 83.

[5] *See id.* at 81 (emphasis added).

[6] *See* Dakin Campbell and Natalie Doss, *Ally Will Keep ResCap, 'Screwed Up' Using Robosigners*, BLOOMBERG NEWS, Nov. 3, 2010.

foreclosures of loans in Ally's servicing portfolio, Ally engaged in "unsafe or unsound banking practices" because, among other reasons, Ally filed or caused to be filed in courts inaccurate affidavits, filed or caused to be filed in courts or in land record offices improperly notarized mortgage-related documents, litigated or initiated foreclosure proceedings without ensuring proper assignment and possession of promissory notes or mortgage documents, failed to devote adequate resources to foreclosure processes, failed to ensure timely, effective, and efficient communication with borrowers with respect to loss mitigation and foreclosure activities, failed to subject its foreclosure processes to adequate oversight, internal controls, policies, and procedures, and failed to sufficiently oversee third parties handling foreclosure-related services;

- ongoing investigations by state attorneys general and other government agencies into Ally's mortgage loan servicing and foreclosure-related practices;

- evidence of wholly avoidable and unnecessary servicing fees to maintain mortgaged property, which have resulted from Ally's flawed mortgage loan servicing and foreclosure practices; and

- Ally's apparent failure to notify other parties to the governing agreements of mortgage loans in the pools that violated representations and warranties at the time they were sold into the pools, and its apparent failure to enforce the sellers' obligations to cure, substitute, or repurchase such loans, as Ally is required to do under the governing agreements.

Based on this and other evidence, our clients believe that large numbers of ineligible loans were sold or deposited into, and remain in, the RMBS pools securing the certificates. Under the governing agreements, Ally has substantial repurchase liability for such loans. Our clients further believe that Ally's failure to observe and perform the covenants and agreements imposed on it by the governing agreements, and to meet its duty to prudently service those mortgages, may constitute a servicer event of default under the governing agreements.

Our clients are not willing to suffer further losses resulting from ineligible loans in the pools and improper servicing of the loans in the pools, and they wish to seek a resolution of repurchase and servicing claims with Ally. As such, our clients hope and anticipate that Ally will begin a constructive dialogue with them regarding the concerns raised by this letter. If, however, Ally proves to be an obstacle to their efforts to mitigate such losses, our clients fully intend to exercise their rights under the governing agreements—including the issuance of binding instructions to Trustees—to pursue enforcement of repurchase and servicing claims against Ally.

Should Ally wish to begin a constructive dialogue regarding these issues, please make appropriately senior legal and business personnel available to meet with me and various of our clients on Thursday, October 27, 2011. To arrange the details of this meeting, please contact me as soon as possible.

Very truly yours,

Kathy Patrick

Gibbs & Bruns LLP · 1100 Louisiana · Suite 5300 Houston, Texas 77002 T 713.650.8805 · F 713.750.0903 www.gibbsbruns.com

A. 10

REDACTED

A. 11

ally

William B. Solomon, Jr.
Group Vice President and General Counsel

October 21, 2011

Via Federal Express

Kathy Patrick, Esq.
Gibbs & Bruns LLP
1100 Louisiana
Suite 5300
Houston, TX 77002

Dear Ms. Patrick:

I am in receipt of your October 17, 2011 letter. None of the transactions that you describe in your letter involved Ally Financial Inc., so it would be inappropriate to engage you on the issues.

For your information, the General Counsel of Residential Funding Corporation and GMAC Mortgage is Tammy Hamzehpour, whose address is 1100 Virginia Drive, Fort Washington, Pennsylvania 19034.

Sincerely,

William B Solomon Jr.

EXHIBIT
PENGAD 800-631-6989
9019-121
11/19/12

200 Renaissance Center **Mail Code: 482-B09-B11** **Detroit, MI 48265**
Phone: 313-656-6128 **Fax: 313-656-6124** **E-mail: william.b.solomon@ally.com**

A. 12

GIBBS & BRUNS LLP

Kathy D. Patrick
kpatrick@gibbsbruns.com
713.751.5253

October 25, 2011

Via Federal Express

William B. Solomon, Jr., Esq.
General Counsel
Ally Financial Inc.
200 Renaissance Center
Detroit, Michigan 48265

Dear Mr. Solomon:

I am in receipt of your October 21st, 2011 letter. As you know, Ally Financial Inc. ("Ally") is the parent and 100% owner of GMAC Mortgage Group, Inc. ("GMACM"). Residential Capital, LLC ("ResCap"), in turn, is a wholly-owned subsidiary of GMACM. ResCap is the direct or indirect parent of the parties to the pooling and servicing agreements at issue, including GMAC Mortgage and Residential Funding, to which you referred in your letter.

In response to your suggestion, I will forward my October 17th, 2011 letter to Ms. Hamzehpour, who appears to be the General Counsel of Ally's Mortgage Operations, as well as the General Counsel of ResCap.

Our clients do not, however, accept your assertion that Ally Financial Inc. does not ultimately bear the liability associated with the repurchase and servicing claims described in my October 17th letter. Ally does.

Very truly yours,

Kathy Patrick

A. 13

REDACTED

A. 14

From: Devine, Timothy
Sent: Monday, December 05, 2011 6:38 PM
To: Hamzehpour, Tammy; Hagens, David; Ruckdaschel, John
Subject: Re: Kathy Patrick

Still silence from Kathy? I had the distinct impression she was going to reach out to us.

From: Hamzehpour, Tammy
To: Devine, Timothy; Hagens, David; Ruckdaschel, John
Sent: Mon Dec 05 13:07:51 2011
Subject: RE: Kathy Patrick

Kathy's contact information is:

kpatrick@gibbsbruns.com
713-751-5253

From: Devine, Timothy
Sent: Thursday, December 01, 2011 7:59 AM
To: Hamzehpour, Tammy; Hagens, David; Ruckdaschel, John
Subject: RE: Kathy Patrick

Tammy: will you please fwd Kathy's email contact info? I will reach out to her in the next day or so to pick up the dialogue. Thanks. Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Hamzehpour, Tammy
Sent: Wednesday, November 30, 2011 4:36 PM
To: Devine, Timothy; Hagens, David; Ruckdaschel, John
Subject: RE: Kathy Patrick

I've not heard anything.

From: Devine, Timothy
Sent: Wednesday, November 30, 2011 3:29 PM
To: Hamzehpour, Tammy; Hagens, David; Ruckdaschel, John
Subject: Kathy Patrick

All: as I understood it, we were going to hear from Kathy Patrick next. Am I right? Have we heard anything?

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 15

From: Kathy D. Patrick
Sent: Monday, December 19, 2011 6:11 PM
To: Hamzehpour, Tammy; Rosten, Linda; Devine, Timothy
Cc: David Sheeren; Scott A. Humphries; Francis.Chlapowski@gs.com; Jon.Yoder@gs.com; Neena.Reddy@gs.com; BBaltich@fhlbatl.com; roshields@fhlbatl.com; paul.defrancisci@nb.com; Monica.Sherer@nb.com; Sean.Plater@tcw.com; cwoods@aegonusa.com; dmineck@aegonusa.com; rick.lebrun@pimco.com; david.flattum@pimco.com; Stephen.Venable@westernasset.com; jeffrey.kupor@invesco.com; Tim.Meehan@Americas.ING.com; marcy.cohen@americas.ing.com; paul.howell@us.ing.com; Bridget.healy@us.ing.com; rlaws@ingdirect.com; kwellman@ingdirect.com; jmccally@tiaa-cref.org; maureen_cronin@nylim.com; Ronald_Brandon@nylim.com; cnass@KoreCapital.com; LBriganti@bayernlbny.com; VDolan@bayernlbny.com; wding@metlife.com; dlarocca@metlife.com; kfinnegan@metlife.com; tshenkin@metlife.com; robert.lawrence@prudential.com; tina.smith@thrivent.com; arthur.rublin@blackrock.com; stephen.ahrens@blackrock.com; peter.vaughan@blackrock.com; sheris@bgi-group.com; miker@bgi-group.com; LaurieS@bgi-group.com; Steffen.nies@lbbw.de; frank.damerow@lbbw.de; James.Walters@commerzbank.com; Ron.Raffan@commerzbank.com; Jonathan.Banks@commerzbank.com; Simon.Bowmer@commerzbank.com; Matthew.McCabe@commerzbank.com; CPryor@tiaa-cref.org; stephanie.heller@ny.frb.org; Scott A. Humphries; Robert J. Madden; Kathy D. Patrick; David Sheeren
Subject: RE: Letter from Tim Devine
Attachments: 12-19-11 Letter to Timothy Levine - Ally.pdf

Good Evening:

A letter confirming the identities of the clients we represent is attached. Our clients are also copied on this email, to confirm that they are aware of this communication and have authorized us to act on their behalf in these discussions.

Please contact me promptly concerning the confidentiality agreement and any other preliminary matters so that we may move this matter forward.
We look forward to continuing our discussions and hope they will be productive.

Best regards,

Kathy

Kathy Patrick

Gibbs & Bruns LLP | 1100 Louisiana Suite 5300 | Houston TX 77002

713.751.5253 o.| 713.750.0903 f. | www.gibbsbruns.com kpatrick@gibbsbruns.com

From: Hamzehpour, Tammy [mailto:Tammy.Hamzehpour@ally.com]
Sent: Monday, December 19, 2011 5:16 PM
To: Kathy D. Patrick; Rosten, Linda
Cc: Devine, Timothy; David Sheeren; Scott A. Humphries
Subject: RE: Letter from Tim Devine

Kathy,

I know Tim is traveling this evening, but I can confirm to you that we will hold your clients' identities in confidence.

Best regards,

Tammy Hamzehpour
General Counsel, Mortgage Operations
1100 Virginia Drive
Fort Washington, PA 19034
T + 215 682 1307| M + 952 270 8470 | F + 866 572 7524 tammy.hamzehpour@gmacrfc.com
<mailto:tammy.hamzehpour@gmacrfc.com>

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From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Monday, December 19, 2011 5:48 PM
To: Rosten, Linda
Cc: Devine, Timothy; Hamzehpour, Tammy; David Sheeren; Scott A. Humphries; Kathy D. Patrick
Subject: RE: Letter from Tim Devine

Mr. Devine:

Thank you for this letter. We were awaiting Ally's execution of the confidentiality agreement, so that we could send you a formal list of our clients' names and confirmation of the holdings held by the group.
If you will kindly respond to this email confirming that you will hold our clients' identities in confidence, we will immediately respond with a letter—copied to our clients—confirming we are acting on their behalf.

Best regards,

Kathy

Kathy Patrick

Gibbs & Bruns LLP | 1100 Louisiana Suite 5300 | Houston TX 77002

713.751.5253 o.| 713.750.0903 f. | www.gibbsbruns.com

kpatrick@gibbsbruns.com

From: Rosten, Linda [mailto:Linda.Rosten@ally.com]

Sent: Monday, December 19, 2011 4:09 PM
To: Kathy D. Patrick
Cc: Devine, Timothy; Hamzehpour, Tammy; David Sheeren; Scott A. Humphries
Subject: Letter from Tim Devine

Ms. Patrick,

Attached is a letter from Tim Devine dated December 19, 2011 for your review. If you have any questions or concerns, please feel free to contact Tim directly.

Thank you.

Best regards,

Linda Rosten

Ally Financial | Legal Staff

200 Renaissance Center, MC: 482-B09-B11, Detroit, MI 48265

T +313 656 6146

F +313 656 6124 or 313 566 0930

Linda.Rosten@ally.com

GIBBS& BRUNS LLP

Kathy D. Patrick
kpatrick@gibbsbruns.com
713.751.5253

December 19, 2011

Mr. Timothy A. Devine
Office of General Counsel
Ally
200Renaissance Center
M/C: 482-B09-B11
P.O. Box 200
Detroit, MI 48265-2000

Dear Mr. Devine:

In response to your letter of this afternoon, and in reliance on Ms. Hamzehpour's assurance that Ally will hold our clients' identities in confidence pending the execution of a confidentiality agreement, our clients in this matter are listed below:

1. BlackRock Financial Management Inc. and its advisory affiliates
2. Kore Advisors, L.P.
3. Maiden Lane, LLC; Maiden Lane II, LLC; and Maiden Lane III, LLC by Federal Reserve Bank of New York, as managing member
4. Metropolitan Life Insurance Company
5. Trust Company of the West and affiliated companies controlled by The TCW Group, Inc.
6. Neuberger Berman Europe Limited
7. Pacific Investment Management Company LLC
8. Goldman Sachs Asset Management, L.P., as adviser to its funds and accounts
9. Teachers Insurance and Annuity Association of America
10. Thrivent Financial for Lutherans
11. Landesbank Baden-Württemberg
12. LBBW Asset Management (Ireland) plc, Dublin
13. ING Entities
14. New York Life Investment Management LLC, as investment manager
15. AEGON USA Investment Management LLC, authorized signatory for various AEGON affiliates
16. Bayerische Landesbank, acting through its New York Branch

17. Prudential Investment Management, Inc.
18. Western Asset Management Company
19. Federal Home Loan Bank of Atlanta
20. Cascade Investment, LLC

We have copied representatives of each institution on this letter, so that you will be aware that they have received this confirmation that we are acting on their behalf. We trust that this confirmation is sufficient to permit Ally to move forward ***promptly*** to execute the confidentiality agreement we previously forwarded to you, so that we may move forward with more substantive discussions.

Very truly yours,

Kathy Patrick

Cc: Mr. Stephen Ahrens (Blackrock)
Mr. Cory Nass (Kore Capital)
Ms. Stephanie Heller (Federal Reserve Bank of New York)
Mr. Kevin Finnegan (MetLife)
Mr. Sean Plater (Trust Company of the West)
Mr. Paul deFrancisci (Neuberger Berman Europe, Ltd.)
Mr. Rick LeBrun (PIMCO)
Mr. Francis Chaplowski (Goldman Sachs Asset Management)
Mr. John McCally (TIAA-CREF)
Ms. Tina Smith (Thrivent Financial for Lutherans)
Mr. Frank Damerow (LBBW)
Ms. Maureen Cronin (New York Life)
Mr. Clint Woods (AEGON USA)
Ms. Lorraine Briganti (Bayern LB)
Mr. Robert Lawrence (Prudential Investment Management, Inc.)
Mr. Stephen Venable (Western Asset Management Company)
Mr. Reggie O'Shields (Federal Home Loan Bank of Atlanta)
Ms. Sheri Symonds (Cascade Investments LLC)
Ms. Tammy Hamzehpour

A. 16

From: Rosten, Linda [Linda.Rosten@ally.com]
Sent: Monday, December 19, 2011 4:09 PM
To: Kathy D. Patrick
Cc: Devine, Timothy; Hamzehpour, Tammy; David Sheeren; Scott A. Humphries
Subject: Letter from Tim Devine
Attachments: SKMBT_C360-11121916540.pdf

Ms. Patrick,

Attached is a letter from Tim Devine dated December 19, 2011 for your review. If you have any questions or concerns, please feel free to contact Tim directly.

Thank you.

Best regards,

Linda Rosten

Ally Financial | Legal Staff

200 Renaissance Center, MC: 482-B09-B11, Detroit, MI 48265

T +313 656 6146

F +313 656 6124 or 313 566 0930

Linda.Rosten@ally.com

ally

Timothy A. Devine
Office of General Counsel
200 Renaissance Center
M/C: 482-B09-B11
P.O. Box 200
Detroit, MI 48265-2000

T + 1 313-656-3477
F + 1 313-566-0930

December 19, 2011

VIA FEDERAL EXPRESS
and E-mail

Kathy Patrick, Esq.
Gibbs & Bruns LLP
1100 Louisiana, Ste. 5300
Houston, TX 77002

Dear Kathy:

Thank you again for the candid and constructive preliminary discussion in Minneapolis. And thank you also for following up with your draft Confidentiality Agreement and Tolling Agreement.

As you know, our clients are generally inclined to pursue confidential discussions exploring possible negotiated settlements of the claims you have generally described, so long as we can design a workable process. We are confident we can do so. As we said during our preliminary discussion in Minneapolis, we will need to proceed step by step in an orderly manner to ensure such a process has best chance of success.

As a first step, during our preliminary discussions we took some notes regarding the identity of the clients referenced in your letter, and the scope of your firm's representation of them. It is very important for us to confirm your firm's representation as to each of the clients, and the scope of the respective engagements. Please understand that though we recognize the somewhat extraordinary nature of the discussions you propose, we still owe it to the clients to take care of the basics. We note, for example, that to date there has been no communication from you cc'ing your clients. We note also, again for example, that the draft Agreements you have forwarded nowhere identify much less provide for execution by your clients as parties to the agreements.

We may have some flexibility with regard to the type and extent of written confirmation we require of the firm's engagement by the clients you identified at our meeting and are willing to consider your suggestions in this regard.

Very truly yours,

T Devine

Timothy A. Devine
Chief Counsel - Litigation

cc: Scott Humphries
David Sheeren
Tammy Hamzehpour

A. 17

Outlook E-mail

From: Devine, Timothy
Sent: 1/9/2012 6:45:27 PM
To: Kathy D. Patrick; 'dsheeren@gibbsbruns.com'
Cc: Hamzehpour, Tammy; Ruckdaschel, John; Hagens, David
Subject: RE: Confi and Tolling Agreement
Attachments Tolling Gibbs Brun ResCap (5).docx; Confidentiality Agreement Gibbs Brun Clients ResCap (3).docx

CONFIDENTIAL
FOR SETTLEMENT PURPOSES ONLY

Kathy and David:

Please see the attached markups of the draft Confi and Tolling Agreement you had sent over.

The rationale for some of the markups will be self-evident. There are some I would like to walk through with you at your convenience.

Among the points we're addressing by markups to the Confi are potential that the talks may need to be disclosed in public financial filings, as apparently some banks may have done. Also that we may contractually be required to disclose them if we are approached by a Trustee or other claimant asserting standing to challenge us on the applicable contract. Finally, should we all proceed to a production of loan files or similar records containing customer or investor information, we may need to enter additional agreements protecting the PII or other info more expressly.

Biggest point in the markups to the draft Tolling Agreement I think is that we ought to have the particular interests of your clients identified as against particular deals, so that all parties involved have a clear and unambiguous meeting of the minds as to what particular claims are covered by the agreements and the discussions. Also need to address risk that other parties or counsel may bring claims or inquiries relating to the same investments which are the basis of the interests under discussion here – whether such claims come for example from a monoline, a trustee, a government agent or agency of any sort, etc. – which of course we would need to address and/or defend.

I'm out of town tomorrow, back in the office the rest of the week. Happy to discuss, to answer questions.

Looking forward to next steps.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Wednesday, December 14, 2011 9:46 PM
To: dsheeren@gibbsbruns.com
Cc: Hamzehpour, Tammy; Ruckdaschel, John; Hagens, David
Subject: FW: Confi and Tolling Agreement

David:

Tammy has asked me to follow up on your email. I will do so shortly. Will you please send me email contact info for Kathy and Scott?

Thanks.

Tim

Timothy A. Devine

EXHIBIT
9019-73
11/13/12
PENGAD 800-631-6989

Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: David Sheeren [mailto:dsheeren@gibbsbruns.com]
Sent: Wednesday, December 07, 2011 11:24 AM
To: Hamzehpour, Tammy
Cc: Kathy D. Patrick; Scott A. Humphries
Subject: Confi and Tolling Agreement

Tammy,

Attached for your review, please find a draft Confidentiality Agreement and a draft Tolling Agreement.

Best regards,
David

David Sheeren
Gibbs & Bruns LLP
1100 Louisiana, Suite 5300
Houston, Texas 77002
713.751.5207 (o)
713.459.6278 (c)

Tolling Agreement

WHEREAS, Residential Capital, LLC, and various of its subsidiaries and affiliates, including, without limitation, GMAC Mortgage, LLC, Residential Funding Company, LLC, Residential Funding Mortgage Securities I, Inc., Residential Funding Mortgage Securities II, Inc., Residential Asset Securities Corp., Residential Accredit Loans, Inc., Residential Asset Mortgage Products, Inc., and Homecomings Financials, LLC (collectively, "ResCap Mortgage Companies"), are parties to Pooling and Servicing Agreements, or other similar agreements ("PSAs"), governing Residential Mortgage Backed Securities issued and/or underwritten by ResCap Mortgage Companies ("RMBS"); and

WHEREAS, in a letter dated October 17, 2011, Gibbs & Bruns LLP, on behalf of its clients ("Gibbs and Bruns"), notified Ally Financial Inc. that its clients held (or managed accounts which held) 25% of the voting rights of a class in 242 RMBS, which are identified in Exhibit A hereto ; and

WHEREAS, in the October 17 letter, Gibbs & Bruns notified Ally Financial Inc. that its clients believe that large numbers of mortgage loans which violate representations and warranties were sold or deposited into, and remain in, the RMBS pools, and that, under the PSAs, Ally Financial Inc. and its affiliates have substantial repurchase liability for such loans ("Repurchase Claims"); and

WHEREAS, in the October 17 letter, Gibbs & Bruns notified Ally Financial Inc. that its clients believe that Ally Financial Inc. and its affiliates, as master servicer and/or servicer of the mortgage loans underlying the RMBS, have failed to observe and perform their servicing obligations under the PSAs ("Servicing Claims"); and

WHEREAS Ally Financial Inc. responded to the October 17 letter rejecting exposure to or liability of Ally Financial Inc. for any of the Repurchasing or Servicing Claims on grounds stated therein, but referred Gibbs & Brun to counsel for ResCap Mortgage Companies;

WHEREAS Ally Financial Inc. flatly rejects assertions of Gibbs & Bruns or others that Ally Financial Inc. has exposure to or liability for any Repurchase Claims or Servicing Claims; and

WHEREAS neither the ResCap Mortgage Companies nor Ally Financial Inc. accept, adopt or ratify any of the assertions of Gibbs & Bruns with regard to the Repurchase Claims or the Servicing Claims; and

WHEREAS, Gibbs & Bruns exchanged various correspondence with Ally Financial Inc. and ResCap Mortgage Companies regarding the October 17 letter; and

WHEREAS, on November 21, 2011, Gibbs & Bruns met with ResCap Mortgage Companies to discuss the issues raised by the October 17 letter; and

WHEREAS, Gibbs & Bruns and ResCap Mortgage Companies wish to continue a constructive dialogue regarding the issues raised by the October 17 letter ("Constructive Dialogue"); and

WHEREAS, Ally Financial Inc. may be interested in participating in some measure in the Constructive Dialogue; and

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WHEREAS, Gibbs & Bruns has identified, subject to a Confidentiality Agreement executed by the Parties hereto, each of the clients it represents in connection with the Settlement Dialogue ("Gibbs & Bruns Clients"); and

WHEREAS, Gibbs & Bruns has identified, subject to a Confidentiality Agreement executed by the Parties hereto, for each of the Gibbs & Bruns Clients, the ownership interest the Gibbs & Bruns Client has in each of the respective RMBS in which such Gibbs & Bruns Client has an interest (collectively, the "Covered Interests");

NOW therefore, each of the undersigned, on behalf of themselves and/or their respective clients, confirms and agrees as follows:

1. In consideration of Gibbs & Bruns' Clients forbearing to assert the Repurchase and Servicing Claims as to their respective Covered Interests in this time period, and consistent with New York General Obligations Law § 17-103, any statutes of limitation, repose, or laches applicable only to the Repurchase Claims and/or the Servicing Claims as to only such Covered Interests shall be tolled, and Ally Financial Inc. and ResCap Mortgage Companies waive and covenant and agree not to assert such statutes of limitation, repose, or laches, for a period of 120 days, commencing on January , 2012 (that is, until the end of) (the "Forbearance and Tolling Period"), terminable by Gibbs & Bruns, Ally Financial Inc., or ResCap Mortgage Companies upon 30 days' written notice to the other parties to this Agreement.

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2. This Tolling Agreement shall apply only to the Repurchase Claims and/or the Servicing Claims as to only the Covered Interests regardless of whether such claims are asserted by a Trustee or by Certificateholders, who may endeavor, under certain circumstances, to assert such claims in a derivative capacity, for the common benefit of all Certificateholders.

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3. Nothing in this Agreement waives, impairs or otherwise in any way limits the rights of Ally Financial Inc. or any of the ResCap Mortgage Companies or the affiliates of any of them from responding to, addressing or defending (1) any Repurchase Claims, Servicing Claims or any similar, related or overlapping claims of any sort at any time, whether relating to the Covered Interests or not, or (2) any claims or inquiries whatsoever arising out of or in connection with any of the RMBS, including during the period of this Agreement.

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4. Nothing in this Agreement waives or impairs the rights of any Party to raise and assert any statutes of limitation, statutes of repose, or laches, or any similar or related defenses of any sort, available to such Parties prior to or after the Forbearance and Tolling Period.

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5. Nothing in this Agreement is or shall be construed to be an admission of any of the Parties as to the merits of any claims relating to the Covered Interests or to any Repurchase Claims or Servicing Claims as to any of them.

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ACKNOWLEDGED AND AGREED this __ day of January, 2012:

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By:________________________________
Kathy D. Patrick

For Gibbs & Bruns and its clients

By:________________________________
Name:
Title:

For Ally Financial Inc.

By:________________________________
Name:
Title:

For ResCap Mortgage Companies

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Confidentiality Undertaking

WHEREAS, Gibbs & Bruns LLP ("Gibbs & Bruns") and its clients listed on Exhibit A ("Gibbs & Bruns Clients"), Residential Capital, LLC and various of its subsidiaries and affiliates, including, without limitation, GMAC Mortgage, LLC, Residential Funding Company, LLC, Residential Funding Mortgage Securities I, Inc., Residential Funding Mortgage Securities II, Inc., Residential Asset Securities Corp., Residential Accredit Loans, Inc., Residential Asset Mortgage Products, Inc., and Homecomings Financial, LLC (collectively, "ResCap Mortgage Companies"), and Ally Financial Inc., are interested in discussing potential resolutions of alleged issues regarding certain Residential Mortgage Backed Securities, identified in Exhibit B, issued and/or underwritten by various of the ResCap Mortgage Companies ("RMBS");

NOW therefore, each of the undersigned, on behalf of themselves and/or their respective clients, confirms and agrees, effective January [ ], 2012, as follows:

1. Any discussions that take place between Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc. and ResCap Mortgage Companies while this Agreement is in effect ("Discussions") are in the nature of compromise and settlement discussions, such that all of the protections of Rule 408 of the Federal Rules of Evidence and Section 4547 of New York's Civil Practice Law and Rules, as well as those applicable protections provided under any and all analogous evidentiary rules and/or privileges of the laws of any other applicable jurisdiction, shall apply to such Discussions.

2. Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., and ResCap Mortgage Companies will not disclose the existence or contents of such Discussions to anyone beyond those individuals (employees, counsel, experts and/or agents) actively engaged in considering and/or discussing the potential resolutions of the alleged issues between or among them, without the advance written consent of the other parties.

3. If required by applicable law or if Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., or ResCap Mortgage Companies receive a subpoena, court order, or other similar process for the purpose of disclosing the existence or contents of such Discussions, Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., and ResCap Mortgage Companies are not prohibited from disclosing the existence or contents of such Discussions; provided that, unless prohibited, the entity required by applicable law to make disclosure or that received the subpoena, court order, or similar process notifies the other parties of said subpoena, court order, or similar process within seven days of receiving it, or promptly if the disclosure must be made sooner, and to the extent practicable provides the other parties an opportunity to exercise their legal options to prohibit or limit such disclosure. Gibbs & Bruns is permitted, however, to disclose the existence, but not the contents, of such Discussions on a

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confidential basis to a conservator, regulator or government oversight body in response to a general or specific request by such conservator, regulator or government oversight body without any notice to or consent by Ally Financial Inc. or ResCap Mortgage Companies. Ally Financial Inc. and ResCap Mortgage Companies are permitted to disclose the existence, but not the contents, of such Discussions on a confidential basis to bank regulators in response to a general or specific request by such regulators, without any notice to or consent by Gibbs & Bruns. Ally Financial Inc., and ResCap Mortgage Companies are permitted, at their sole discretion, to disclose the existence of the Discussions as they may deem advisable in connection with any regulatory or financial disclosures or similar disclosures. Ally Financial Inc. and ResCap are permitted, at their sole discretion, to disclose the Discussions as they may deem advisable in the event they or affiliates of either are approached by or otherwise receive communications, demands or requests from a Trustee or other interested party in connection with any of the RMBS.

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4. The purpose of this Agreement is to reflect the parties' intentions and to confirm the parties' entire agreement as to the confidentiality of such Discussions. Nothing in this Agreement shall require either party to produce information. To the extent the ResCap Mortgage Companies or Ally Financial Inc. decide at their sole discretion to produce certain records in connection with the Discussions, they reserve the right to seek express contractual and other protections and limitations on access to such information separate from this Agreement.

5. Nothing in this Agreement shall preclude Gibbs & Bruns from filing suit against Ally Financial Inc. and/or ResCap Mortgage Companies should such Discussions be terminated. This Agreement is terminable by either party on thirty (30) days written notice; provided, however, that the obligations herein to keep confidential such Discussions shall survive the termination of this Agreement.

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6. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to its choice of law provisions.

7. Entry into this Agreement does not waive any rights, including but not limited to any rights to information, that the parties may have under the Pooling and Servicing Agreements or other similar agreements ("PSAs") for each of the RMBS covered by the Tolling Agreement dated January [ ], 2012, and the parties expressly reserve all rights, arguments and defenses (and nothing herein shall limit the ability to assert such rights, arguments and defenses), including but not limited to all rights, arguments and defenses under those PSAs.

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8. The parties hereto represent and warrant that they are authorized to enter this Agreement and, in the case of Gibbs & Bruns, that Gibbs & Bruns is expressly authorized to sign on behalf of and to bind the Gibbs & Bruns Clients to this Agreement.

9. Nothing in this Agreement is intended to or shall constitute an admission of any liability by any party to it. Ally Financial Inc. expressly rejects exposure to and/or liability for any of the RMBS.

ACKNOWLEDGED AND AGREED this __ day of January, 2012:

By:______________________________
Kathy D. Patrick

For Gibbs & Bruns and its Clients

By:______________________________
Name:
Title:

For Ally Financial Inc.

By:______________________________
Name:
Title:

For ResCap Mortgage Companies

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A. 18

From: David Sheeren
Sent: Friday, January 13, 2012 3:57 PM
To: Devine, Timothy; Kathy D. Patrick; Scott A. Humphries
Cc: Hamzehpour, Tammy; Ruckdaschel, John; Hagens, David
Subject: RE: Confi and Tolling Agreement
Attachments: Ally Confidentiality Agreement_1.13.docx; Ally Tolling Agreement_1.13.docx

Tim,

Please see attached. We are fine with most of your edits to the draft Confidentiality Agreement and draft Tolling Agreement. We have made some additional changes in these versions.

Thanks,

David

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Monday, January 09, 2012 5:45 PM
To: Kathy D. Patrick; David Sheeren
Cc: Hamzehpour, Tammy; Ruckdaschel, John; Hagens, David
Subject: RE: Confi and Tolling Agreement

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Chief Counsel - Litigation

Ally Financial Inc. Legal Staff

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M/C: 482-B09-B11

Detroit, MI 48265

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Will you please send me email contact info for Kathy and Scott?

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Timothy A. Devine

Chief Counsel - Litigation

Ally Financial Inc. Legal Staff

200 Renaissance Center

M/C: 482-B09-B11

Detroit, MI 48265

(313) 656-3477

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Cc: Kathy D. Patrick; Scott A. Humphries
Subject: Confi and Tolling Agreement

Tammy,

Attached for your review, please find a draft Confidentiality Agreement and a draft Tolling Agreement.

Best regards,

David

David Sheeren

Gibbs & Bruns LLP

1100 Louisiana, Suite 5300

Houston, Texas 77002

713.751.5207 (o)

713.459.6278 (c)

Confidentiality Undertaking

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NOW therefore, each of the undersigned, on behalf of themselves and/or their respective clients, confirms and agrees, effective January [.....], 2012, as follows:

1. Any discussions that take place between Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc. and ResCap Mortgage Companies while this Agreement is in effect ("Discussions") are in the nature of compromise and settlement discussions, such that all of the protections of Rule 408 of the Federal Rules of Evidence and Section 4547 of New York's Civil Practice Law and Rules, as well as those applicable protections provided under any and all analogous evidentiary rules and/or privileges of the laws of any other applicable jurisdiction, shall apply to such Discussions.

2. Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., and ResCap Mortgage Companies will not disclose the existence or contents of such Discussions to anyone beyond those individuals (employees, counsel, experts and/or agents) actively engaged in considering and/or discussing the potential resolutions of the alleged issues between or among them, without the advance written consent of the other parties.

3. If required by applicable law or if Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., or ResCap Mortgage Companies receive a subpoena, court order, or other similar process for the purpose of disclosing the existence or contents of such Discussions, Gibbs & Bruns, Gibbs & Bruns Clients, Ally Financial Inc., and ResCap Mortgage Companies are not prohibited from disclosing the existence or contents of such Discussions; provided that, unless prohibited, the entity required by applicable law to make disclosure or that received the subpoena, court order, or similar process notifies the other parties of said subpoena, court order, or similar process within seven days of receiving it, or promptly if the disclosure must be made sooner, and to the extent practicable provides the other parties an opportunity to exercise their legal options to prohibit or limit such disclosure. Gibbs & Bruns is permitted, however, to disclose the existence, but not the contents, of such Discussions on a

confidential basis to a conservator, regulator or government oversight body in response to a general or specific request by such conservator, regulator or government oversight body without any notice to or consent by Ally Financial Inc. or ResCap Mortgage Companies. Ally Financial Inc. and ResCap Mortgage Companies are permitted to disclose the existence, but not the contents, of such Discussions on a confidential basis to bank regulators in response to a general or specific request by such regulators, without any notice to or consent by Gibbs & Bruns. Ally Financial Inc., and ResCap Mortgage Companies are permitted, at their sole discretion, to disclose the existence of the Discussions as they may deem advisable in connection with any regulatory or financial disclosures. Ally Financial Inc. and ResCap are permitted, at their sole discretion, to disclose the existence, but not the contents, of the Discussions as they may deem advisable in the event they or affiliates of either are approached by or otherwise receive communications, demands or requests from a Trustee in connection with any of the RMBS.

4. The purpose of this Agreement is to reflect the parties' intentions and to confirm the parties' entire agreement as to the confidentiality of such Discussions. Nothing in this Agreement shall require either party to produce information. To the extent the ResCap Mortgage Companies or Ally Financial Inc. decide at their sole discretion to produce certain records in connection with the Discussions, they reserve the right to seek express contractual and other protections and limitations on access to such information separate from this Agreement.

5. Nothing in this Agreement shall preclude Gibbs & Bruns from filing suit against Ally Financial Inc. and/or ResCap Mortgage Companies should such Discussions be terminated. This Agreement is terminable by either party on thirty (30) days written notice; provided, however, that the obligations herein to keep confidential such Discussions shall survive the termination of this Agreement.

6. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York without regard to its choice of law provisions.

7. Entry into this Agreement does not waive any rights, including but not limited to any rights to information, that the parties may have under the Pooling and Servicing Agreements or other similar agreements ("PSAs") for each of the RMBS covered by the Tolling Agreement dated January [.....], 2012, and the parties expressly reserve all rights, arguments and defenses (and nothing herein shall limit the ability to assert such rights, arguments and defenses), including but not limited to all rights, arguments and defenses under those PSAs.

8. The parties hereto represent and warrant that they are authorized to enter into this Agreement and, in the case of Gibbs & Bruns, that Gibbs & Bruns is expressly authorized to sign on behalf of and to bind the Gibbs & Bruns Clients to this Agreement.

9. Nothing in this Agreement is intended to or shall constitute an admission of any liability or defense by any party to it. Ally Financial Inc. expressly rejects exposure to and/or liability for any of the RMBS.

ACKNOWLEDGED AND AGREED this __ day of January, 2012:

By:________________________________
Kathy D. Patrick

For Gibbs & Bruns and its Clients

By:________________________________
Name:
Title:

For Ally Financial Inc.

By:________________________________
Name:
Title:

For ResCap Mortgage Companies

Tolling Agreement

WHEREAS, Residential Capital, LLC, and various of its subsidiaries and affiliates, including, without limitation, GMAC Mortgage, LLC, Residential Funding Company, LLC, Residential Funding Mortgage Securities I, Inc., Residential Funding Mortgage Securities II, Inc., Residential Asset Securities Corp., Residential Accredit Loans, Inc., Residential Asset Mortgage Products, Inc., and Homecomings Financials, LLC (collectively, "ResCap Mortgage Companies"), are parties to Pooling and Servicing Agreements, or other similar agreements ("PSAs"), governing Residential Mortgage Backed Securities issued and/or underwritten by ResCap Mortgage Companies ("RMBS"); and

WHEREAS, in a letter dated October 17, 2011, Gibbs & Bruns LLP, on behalf of its clients ("Gibbs and Bruns"), notified Ally Financial Inc. that its clients held (or managed accounts which held) 25% of the voting rights of a class in 242 RMBS, which are identified in Exhibit A hereto ; and

WHEREAS, in the October 17 letter, Gibbs & Bruns notified Ally Financial Inc. that its clients believe that large numbers of mortgage loans which violate representations and warranties were sold or deposited into, and remain in, the RMBS pools, and that, under the PSAs, Ally Financial Inc. and its affiliates have substantial repurchase liability for such loans ("Repurchase Claims"); and

WHEREAS, in the October 17 letter, Gibbs & Bruns notified Ally Financial Inc. that its clients believe that Ally Financial Inc. and its affiliates, as master servicer and/or servicer of the mortgage loans underlying the RMBS, have failed to observe and perform their servicing obligations under the PSAs ("Servicing Claims"); and

WHEREAS Ally Financial Inc. responded to the October 17 letter rejecting exposure to or liability of Ally Financial Inc. for any of the Repurchasing or Servicing Claims on grounds stated therein, but referred Gibbs & Bruns to counsel for ResCap Mortgage Companies;

WHEREAS Ally Financial Inc. flatly rejects assertions of Gibbs & Bruns or others that Ally Financial Inc. has exposure to or liability for any Repurchase Claims or Servicing Claims; and

WHEREAS neither the ResCap Mortgage Companies nor Ally Financial Inc. accept, adopt or ratify any of the assertions of Gibbs & Bruns with regard to the Repurchase Claims or the Servicing Claims; and

WHEREAS, Gibbs & Bruns exchanged various correspondence with Ally Financial Inc. and ResCap Mortgage Companies regarding the October 17 letter; and

WHEREAS, on November 21, 2011, Gibbs & Bruns met with Ally Financial Inc. and ResCap Mortgage Companies to discuss the issues raised by the October 17 letter; and

WHEREAS, Gibbs & Bruns and ResCap Mortgage Companies wish to continue a constructive dialogue regarding the issues raised by the October 17 letter ("Constructive Dialogue"); and

WHEREAS, Ally Financial Inc. may be interested in participating in some measure in the Constructive Dialogue; and

WHEREAS, Gibbs & Bruns has identified, subject to a Confidentiality Agreement executed by the Parties hereto, each of the clients it represents in connection with the Settlement Dialogue ("Gibbs & Bruns Clients"); and

WHEREAS, Gibbs & Bruns has identified, subject to a Confidentiality Agreement executed by the Parties hereto, the collective ownership interest the Gibbs & Bruns Clients have in each of the respective RMBS in which such Gibbs & Bruns Clients have an interest (collectively, the "Covered Interests");

NOW therefore, each of the undersigned, on behalf of themselves and/or their respective clients, confirms and agrees as follows:

1. In consideration of Gibbs & Bruns' Clients forbearing to assert the Repurchase and Servicing Claims as to their Covered Interests in this time period, and consistent with New York General Obligations Law § 17-103, any statutes of limitation, repose, or laches applicable only to the Repurchase Claims and/or the Servicing Claims as to only such Covered Interests shall be tolled for a period of 120 days, commencing on January ......, 2012 (that is, until the end of ....) (the "Forbearance and Tolling Period"), terminable by Gibbs & Bruns, Ally Financial Inc., or ResCap Mortgage Companies upon 30 days' written notice to the other parties to this Agreement, and Ally Financial Inc. and ResCap Mortgage Companies waive and covenant and agree not to assert such statutes of limitation, repose, or laches for that time period.

2. This Tolling Agreement shall apply only to the Repurchase Claims and/or the Servicing Claims as to only the Covered Interests regardless of whether such claims are asserted by a Trustee or by Certificateholders, who may endeavor, under certain circumstances, to assert such claims in a derivative capacity, for the common benefit of all Certificateholders.

3. Nothing in this Agreement waives, impairs or otherwise in any way limits the rights of Ally Financial Inc. or any of the ResCap Mortgage Companies or the affiliates of any of them from responding to, addressing or defending (1) any Repurchase Claims, Servicing Claims or any similar, related or overlapping claims of any sort at any time, whether relating to the Covered Interests or not, or (2) any claims or inquiries whatsoever arising out of or in connection with any of the RMBS, including during the period of this Agreement.

4. Nothing in this Agreement waives or impairs the rights of any Party to raise and assert any statutes of limitation, statutes of repose, or laches, or any similar or related defenses of any sort, available to such Parties prior to or after the Forbearance and Tolling Period.

5. Nothing in this Agreement is or shall be construed to be an admission of any of the Parties as to the merits of any claims or defenses relating to the Covered Interests or to any Repurchase Claims or Servicing Claims as to any of them.

ACKNOWLEDGED AND AGREED this __ day of January, 2012:

By:____________________________________
Kathy D. Patrick

For Gibbs & Bruns and its clients

By:____________________________________
Name:
Title:

For Ally Financial Inc.

By:____________________________________
Name:
Title:

For ResCap Mortgage Companies

A. 19

ResCap

Steve Abreu
Jonathan Ilany
John Mack
Tom Marano
Ted Smith
Pam West
Jim Whitlinger

Residential Capital, LLC – Claims Analysis Meeting
Wednesday, January 25, 2012, 12:00 to 5:00 pm (ET)

Morrison & Foerster LLP will meet with the ResCap Board of Directors to discuss its claims analysis and independent review process on Wednesday, January 25, 2012, from 12:00 to 5:00 pm (ET). The meeting will be held in the offices of Morrison & Foerster LLP.

Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104

Lunch will be available at 12:00 pm. Supporting materials, if any, will be distributed prior to the meeting. Please confirm that you plan to attend the meeting in person. Also please note that the tentative ResCap Board meeting date of Thursday, January 26, 2012 (9:00 to 10:00 am) has been removed from the draft 2012 Board meeting schedule.

Please feel free to contact me by phone (313-656-6301) or email (cathy.quenneville@ally.com) should you have any questions. Thank you.

Cathy Quenneville
Secretary
1/17/12

cc: Tammy Hamzehpour
Morrison Cohen
Morrison & Foerster

MINUTES of a Special Meeting the Board of Residential Capital, LLC ("ResCap" or the "Company"), held on due notice at 1290 Avenue of the Americas, New York, New York, on January 25, 2012, at 12:24 p.m. (ET).

PRESENT: Steven M. Abreu
Jonathan Ilany
John E. Mack
Thomas F. Marano
Edward F. Smith III
Pamela E. West
James M. Whitlinger

constituting all of the Board. Mr. Smith participated by telephone.

Invited guest in attendance was Tammy Hamzehpour.

Invited advisers in attendance were Michael Connolly and Joseph T. Moldovan from Morrison Cohen LLP, and Nilene R. Evans, Gary S. Lee, Larren M. Nashelsky, Jamie A. Levitt, Anna T. Pinedo and James R. Tanenbaum from Morrison & Foerster LLP.

Additional invited guests in attendance were William J. Nolan and Mark Renzi from FTI Consultants, Inc.

The Chairman, Mr. Marano, presided; he requested that Ms Evans record the minutes.

Mr. Marano immediately moved the meeting into Executive Session.

Executive Session

Mr. Lee, Ms. Levitt and Ms. Pinedo presented the initial results of their independent review of historical transactions between ResCap and Ally Financial Inc. ("Ally"), its predecessors and affiliates, including Cerberus entities. The Board was provided with presentation materials prior to the meeting. They also discussed their initial analysis of potential claims that could be made against Ally in a potential Rule 9019 settlement discussion with Ally in connection with a potential bankruptcy filing by ResCap as well as the overall Rule 9019 process. The Board and advisers engaged in considerable and robust discussion regarding this presentation.

At approximately 3:00 p.m., the Meeting was adjourned, all the advisers left the meeting and the members of the Board met with Michael Carpenter, Chief Executive Officer of Ally. At approximately 3:33 p.m., after Mr. Carpenter had left, the advisers re-entered the meeting and the Executive Session resumed.

Messrs. Marano, Whitlinger and Abreu then discussed, among other topics, the status of the proposed settlement with the Department of Justice and States Attorneys General ("DOJ/AG Settlement"), the status of the negotiations with Ally regarding its support letter relating to the potential civil money penalty from the Federal Reserve Board arising out of its Consent Order (the "FRB Fine") as well as the DOJ/AG Settlement, and their meetings on January 23, 2012 with the U.S. Treasury, Federal Housing Finance Agency and Federal Housing Administration. The Board members engaged in a robust discussion of these matters. During the discussion, at approximately 4:50 p.m., Mr. David DeBrunner joined the meeting to respond to questions from the members of the Board regarding certain related accounting considerations. He was then excused from the meeting.

Authorization Regarding Federal Reserve Board Consent Assessment Order

At approximately 5:25 p.m., the Board moved out of Executive Session in order to consider a resolution authorizing Mr. Marano to take certain actions with respect to the FRB Fine. Upon motion duly made and seconded, it was unanimously

RESOLVED, that this Board delegates full authority to and directs Thomas F. Marano, in his capacity as Chief Executive Officer of Residential Capital, LLC, to enter into a Consent Assessment Order by and among Ally Financial Inc., Residential Capital, LLC, GMAC Mortgage, LLC, and the Board of Governors of the Federal Reserve System, in substantially the form and on the terms set forth in the draft thereof previously delivered to the Board members (with the blank information completed), on behalf of Residential Capital, LLC, and, upon the full execution of the Consent Assessment Order by all parties thereto, consents to compliance with each and every applicable provision of the Consent Assessment Order and waives any and all rights that ResCap may have pursuant to section 8 of the FDI Act (12 U.S.C. § 1818).

Mr. Mack and Mr. Ilany abstained from voting on the foregoing resolution.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 5:30 p.m.

DATED January 25, 2012.

Nilene R Evans

Nilene R. Evans, Recording Secretary

A. 20

REDACTED

A. 21

From: Hamzehpour, Tammy
Sent: 3/7/2012 10:16:04 AM
To: Devine, Timothy; Thompson, William - Legal Dept - PA; Ruckdaschel, John; Zellmann, Patty - MN; Solomon, William Legal
Subject: RE: ResCap Discussions

Redacted

-----Original Message-----
From: Devine, Timothy
Sent: Tuesday, March 06, 2012 11:39 PM
To: Hamzehpour, Tammy; Thompson, William - Legal Dept - PA; Ruckdaschel, John; Zellmann, Patty - MN; Solomon, William Legal
Subject: FW: ResCap Discussions

Redacted

-----Original Message-----
From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Tuesday, March 06, 2012 11:12 PM
To: Devine, Timothy
Cc: Rosten, Linda; Kathy D. Patrick; Scott A. Humphries
Subject: RE: ResCap Discussions

Certainly. Please look at your schedule and let me know a time that works. Wednesday and Thursday are generally open for me, but morning is preferable.

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Tue 3/6/2012 9:27 PM
To: Kathy D. Patrick
Cc: Rosten, Linda
Subject: ResCap Discussions

CONFIDENTIAL PER AGREEMENT

Kathy:

I got your voicemail. I have been out of the country since Thursday and will conclude meetings this Friday night, landing in Detroit Saturday morning. Like running a marathon. Can we schedule a time next week?

Thanks.

Tim

Timothy A. Devine

Chief Counsel - Litigation

Ally Financial Inc. Legal Staff

200 Renaissance Center

M/C: 482-B09-B11

Detroit, MI 48265

(313) 656-3477

A. 22

From: Talcott J. Franklin <Tal@talcottfranklin.com>
Sent: Wednesday, March 7, 2012 1:19 PM
To: Devine, Timothy <Timothy.Devine@ally.com>
Subject: Re: Call

That would be helpful. I look forward to your call. If you cannot reach me on my direct line, please try my cell.

Tal Franklin
Talcott Franklin P.C.
208 North Market Street
Suite 200
Dallas, Texas 75202
214.321.3838 direct
214.736.8730 main
214.642.9191 cell
877.577.1356 fax
tal@talcottfranklin.com
www.talcottfranklin.com

From: "Devine, Timothy" <Timothy.Devine@ally.com>
Date: Wed, 7 Mar 2012 13:02:00 -0600
To: Talcott Franklin <tal@talcottfranklin.com>
Subject: RE: Call

PRIVILEGED AND CONFIDENTIAL

I will phone you but it may not be until tomorrow. Out of country in meetings. I apologize.

I won't be surprised at all if the client counters on those deals but it's a slow process. I can perhaps give some process generalities to help manage your client's expectations.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Talcott J. Franklin [mailto:Tal@talcottfranklin.com]
Sent: Wednesday, March 07, 2012 1:58 PM
To: Devine, Timothy
Subject: Call

Tim:
Could you please call me? A couple of my clients are getting antsy and we need to show someprogress or I'm concerned about escalation. Is there a chance someone can get back to me with a counter on QO3 and QA13? If so, when?
Tal

Tal Franklin
Talcott Franklin P.C.
208 North Market Street
Suite 200
Dallas, Texas 75202
214.321.3838 direct
214.736.8730 main
214.642.9191 cell
877.577.1356 fax
tal@talcottfranklin.com
www.talcottfranklin.com

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A. 23

From: Devine, Timothy
Sent: Sunday, May 13, 2012 3:53 PM
To: Ornstein, Noah; Levitt, Jamie A.; Ruckdaschel, John
Cc: Lee, Gary S.; Princi, Anthony
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

I think we need to tell him that we can't sign a deal that permits lawsuits to be filed which might logically lead to someone turning to us for ultimate responsibility. If, on the other hand, we do enter such a deal, we need those persons with discretion to file such suits to be responsible to us for any harm we might suffer. His choice.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Ornstein, Noah [mailto:nornstein@kirkland.com]
Sent: Sunday, May 13, 2012 11:48 AM
To: Devine, Timothy; 'Levitt, Jamie A.'; Ruckdaschel, John
Cc: 'Lee, Gary S.'; 'Princi, Anthony'
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

He has refused the indemnification piece. So, think now it is below compromise or tell him to choose between the deal and his third party pursuits

---

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 13, 2012 11:46 AM
To: Ornstein, Noah; 'Levitt, Jamie A.'; Ruckdaschel, John
Cc: 'Lee, Gary S.'; 'Princi, Anthony'
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

Yes – and that ResCap or Ally shall be indemnified for any loss resulting from any such action.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Ornstein, Noah [mailto:nornstein@kirkland.com]
Sent: Sunday, May 13, 2012 10:08 AM
To: 'Levitt, Jamie A.'; Devine, Timothy; Ruckdaschel, John
Cc: 'Lee, Gary S.'; 'Princi, Anthony'
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

Would propose at minimum (or something to this effect):

7.05: Servicing of the Mortgage Loans. Except as provided in Section 8.01, the release and waiver in Article VII includes all claims based in whole or in part on any actions, inactions, or practices of the Master Servicer, Servicer, or

Subservicer as to the servicing of the Mortgage Loans held by the Trusts. **The foregoing language is not intended to release any claims against any person other than ResCap and Ally; provided, Consenting Claimants are not permitted to bring claims against any Master Servicer, Servicer, or Subservicer if doing so in any way adversely effects ResCap or Ally.**

From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sunday, May 13, 2012 10:02 AM
To: Devine, Timothy; John.Ruckdaschel@ally.com; Ornstein, Noah
Cc: Lee, Gary S.; Princi, Anthony
Subject: RE: RMBS Trust Settlement - Rule 408 Communication
Importance: High

Tim and John,

Talcott Franklin will settle with one clarification -- but because I know you have been dealing with this issue I really need your input (asap bc he is talking to his clients this morning. He wants the agreement to be specific that the release does not release claims against non-Rescap entities relating to servicing. So in particular he talked to us about claims against Auroro or David Stern (attorneys) or Northwest. He will instruct the trusees to bring claims against these entities whom he claims overcharged for services and harmed Rescap (not his concern) or the Trusts (ie for reimbursed advances). His argument is that these claims are more valuable potentially than the additional recovery he'll get in the settlement and he does not know why his clients should be forced to release against third parties (other than Ally).

The current language says:

7.05: Servicing of the Mortgage Loans. Except as provided in Section 8.01, the release and waiver in Article VII includes **all claims based** in whole or in part **on any** actions, inactions, or practices of the **Master Servicer**, Servicer, or **Subservicer** as to the servicing of the Mortgage Loans held by the Trusts.

He wants to add a sentence that says this provision "**is not intended to release any claims against any person other than ResCap**." (and he doesn't mean to sue any Ally entity)

I explained that the problem is we don't want him to bring claims that are going to find their way back to ResCap for indemnification or in other ways. He said others are going to instruct the trustees even if he settles so these cases are not going away anyway. He said he has discussed this with you from the time of his first call.

Can we agree to this with Tal so he preserves his Aurora type claims or should I tell him we are in fact trying to get him to waive these third party claims and he can take it or leave it?

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 13, 2012 9:06 AM
To: Princi, Anthony; rcieri@kirkland.com; Levitt, Jamie A.
Cc: nornstein@kirkland.com; Lee, Gary S.; Newton, James A.; Clark, Daniel E.; Jeffrey A. Lipps
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

MoFo and Kirkland:

I am out of pocket from now until about noon. I apologize.

I have an AFI Bd Mtg at 1 pm, at which time I will have to report as to whether we have a deal or not.

I recommend that the teams meet in the mean time to close down to the final final language all other items. Keep banging them on the concept Tony describes below. Then we can together try to close that deal.

I will say this – we can't close the deal unless we get something very much like what Tony has described.

Jeff Lipps will update as to status of discussion with opposing counsel on the Thrivent deal. We intend to have a term sheet binding between counsel as the embodiment of that agreement. There's no time to do a complete settlement agreement by today.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 8:50 AM
To: kpatrick@gibbsbruns.com; rcieri@kirkland.com; Levitt, Jamie A.; Ross.Martin@ropesgray.com; SHumphries@gibbsbruns.com
Cc: nornstein@kirkland.com; Lee, Gary S.; Devine, Timothy; Newton, James A.; Clark, Daniel E.
Subject: Re: RMBS Trust Settlement - Rule 408 Communication

Kathy, we need to make conceptual progress on the lock-up point before the 11:30 call otherwise we will likely not get to an agreement in time.

First, this is not simply an Ally board position, it is very much a ResCap position as well (and, indeed, it was we that proposed the concept of the 25% holding condition as a way to reconcile the points you have been making with our need to assure that we are not running a fool's errand nor, worse, inviting market players to buy in and attempt to upend us).

The conceptual starting point for this is that it is conventional in any deal like this for the parties investing the money/agreeing to an allowed claim, to get assurance that they will not get "double dealt." One of the main, conventional protections in that regard is to make sure that if the counter-party demands a right to transfer their interests (which is a common demand), that any transfer require that the buyer adopt the terms of the deal.

You have told us that for a variety of business reasons your clients can/will not agree to this restriction in trading. In telling us this you have on a number of occasions informed us that it is unlikely that your clients will engage in any material trades (and consistent with that you below describe our concerns as "theoretical").

One of the linchpins of this deal for us is whether your clients can "deliver" the trustees and have them agree to these terms. In that regard the 25% threshold for holdings is critical. As a result, while we're prepared to accommodate your clients' position that they can/will not agree to any restriction in trading, for this deal to not be illusory for us we need to assure that regardless of what trading your clients engage in, their holdings don't drop below the 25% threshold necessary to deliver the trustees. Put differently, it is your clients -- and not ours -- that control the trading, and accordingly your clients should be prepared to assure that their trading does not eliminate a critical component of the bargain for us, and correspondingly accept the reality that we will need to terminate the agreement if they do.

I hope the foregoing helps to move us towards a resolution of this issue on our 11:30 call. I can not speak to the Maiden Lane issues as I was not on that call with you, but I trust you/Ally will work that out.

Tony

----- Original Message -----
From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
To: Cieri, Richard M. <rcieri@kirkland.com>; Princi, Anthony; Levitt, Jamie A.; Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Scott A. Humphries <SHumphries@gibbsbruns.com>
Cc: Ornstein, Noah <nornstein@kirkland.com>; Lee, Gary S.; Timothy.Devine@ally.com <Timothy.Devine@ally.com>; Newton, James A.; Clark, Daniel E.; Kathy D. Patrick <kpatrick@gibbsbruns.com>
Sent: Sun May 13 08:22:49 2012
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

All:

This morning's revision does not address the lockout issue in a way that can work; indeed, you have moved backwards by including a requirement that we maintain 25% holdings in each covered trust--holdings that our clients do not have now, as you well know. The statement you have asked Maiden Lane to make - that Maiden Lane I and Maiden Lane III each represent to the best of its knowledge that the Federal Reserve Board of Governors has taken and anticipates taking no action to require it to liquidate any of its holdings-- is exactly the opposite of what we discussed last night, namely, that the Fed would need a special accommodation because it had been instructed by the Board to liquidate its holdings and so could not anticipate when that might occur.

With all due respect to Ally's board counsel, they are about to crater this deal over an issue that is theoretical and not real. If they persist, they will destroy any prospect that our clients will support a third party release for Ally and its board, because our clients cannot agree to a lockout.

Perhaps, by 11:30, Ally's board counsel will see the jeopardy in which the Board has now placed the Debtor's proposed consensual restructuring. The language from our draft is the language we need.

We'll talk at 11:30.

Kathy

From: Cieri, Richard M. [mailto:rcieri@kirkland.com]
Sent: Sun 5/13/2012 6:27 AM
To: Kathy D. Patrick; 'APrinci@mofo.com'; 'JLevitt@mofo.com'; 'Ross.Martin@ropesgray.com'; Scott A. Humphries
Cc: Ornstein, Noah; 'glee@mofo.com'; 'Timothy.Devine@ally.com'; 'JNewton@mofo.com'; 'DClark@mofo.com'
Subject: Re: RMBS Trust Settlement - Rule 408 Communication

Kathy, what message? Cannot find it. Rick

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Sunday, May 13, 2012 06:23 AM
To: APrinci@mofo.com <APrinci@mofo.com>; Kathy D. Patrick <kpatrick@gibbsbruns.com>; JLevitt@mofo.com <JLevitt@mofo.com>; Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Scott A. Humphries <SHumphries@gibbsbruns.com>
Cc: Cieri, Richard M.; Ornstein, Noah; GLee@mofo.com <GLee@mofo.com>; Timothy.Devine@ally.com <Timothy.Devine@ally.com>; JNewton@mofo.com <JNewton@mofo.com>; DClark@mofo.com <DClark@mofo.com>
Subject: Re: RMBS Trust Settlement - Rule 408 Communication

Yes, we'll be ready. So long as what was sent this morning aligns with my message to Tim and Rick last night, we should be in good shape.

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 06:10 AM
To: Kathy D. Patrick; Levitt, Jamie A. <JLevitt@mofo.com>; Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Scott A. Humphries
Cc: rcieri@kirkland.com <rcieri@kirkland.com>; nornstein@kirkland.com <nornstein@kirkland.com>; Lee, Gary S. <GLee@mofo.com>; Timothy.Devine@ally.com <Timothy.Devine@ally.com>; Newton, James A. <JNewton@mofo.com>; Clark, Daniel E. <DClark@mofo.com>
Subject: Re: RMBS Trust Settlement - Rule 408 Communication

Kathy, to assure that with time running out we don't encounter any miscommunications, we will move the call to 11:30 am Central/12:30 pm Eastern so that you can be on the call. In view of our timing we ask that your side be prepared to work with us during the call to finalize all terms and language in both agreements so that we can shortly thereafter circulate final versions for signature. Thanks. Best, Tony

---

From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
To: Levitt, Jamie A.; Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Kathy D. Patrick <kpatrick@gibbsbruns.com>; Scott A. Humphries <SHumphries@gibbsbruns.com>
Cc: rcieri@kirkland.com <rcieri@kirkland.com>; nornstein@kirkland.com <nornstein@kirkland.com>; Lee, Gary S.; Princi, Anthony; Timothy.Devine@ally.com <Timothy.Devine@ally.com>
Sent: Sun May 13 02:49:01 2012
Subject: Re: RMBS Trust Settlement - Rule 408 Communication

Jamie and All -

The earliest I could do a call is 1130 Central.

KP

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sunday, May 13, 2012 12:55 AM
To: Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Kathy D. Patrick; Scott A. Humphries
Cc: rcieri@kirkland.com <rcieri@kirkland.com>; Ornstein, Noah <nornstein@kirkland.com>; Lee, Gary S. <GLee@mofo.com>; Princi, Anthony <APrinci@mofo.com>; Devine, Timothy <Timothy.Devine@ally.com>
Subject: RMBS Trust Settlement - Rule 408 Communication

Thank you for the mark-ups. Attached are our revisions. We would like to suggest an all-hands (or as many hands as necessary) call at 9am on Sunday to discuss these last changes and finalize the agreements. If that time does not work, please let us know what other time tomorrow morning would. We need to see your exhibits, including the allocation schedule, preferably with enough time before the morning call so that we can review them.

The call-in number is 800-650-4949, code 4688203#

Thanks.

Jamie

From: Scott A. Humphries <SHumphries@gibbsbruns.com>
To: rcieri@kirkland.com <rcieri@kirkland.com>; Devine, Timothy <Timothy.Devine@ally.com>; Lee, Gary S.
Cc: Ross.Martin@ropesgray.com <Ross.Martin@ropesgray.com>; Kathy D. Patrick <kpatrick@gibbsbruns.com>; Scott A. Humphries <SHumphries@gibbsbruns.com>
Sent: Sat May 12 22:52:54 2012
Subject: RE: RMBS Trust Settlement - Rule 408 Communication

Gentlemen,

Attached are the revisions Kathy mentioned. These also include the other, minor comments that were discussed among Ropes and Mofo today.

Thanks, Scott

From: Kathy D. Patrick
Sent: Saturday, May 12, 2012 7:50 PM
To: rcieri@kirkland.com; Devine, Timothy; Gary S. Lee (GLee@mofo.com)
Cc: Kathy D. Patrick; Scott A. Humphries; Martin, D. Ross [Ross.Martin@ropesgray.com]
Subject: RMBS Trust Settlement - Rule 408 Communication

Rick, Gary and Tim:

We spent a long time on the phone with our clients this afternoon and evening. Scott will shortly send you revisions that reflect where our clients landed. There were many issues of great sensitivity to them, but I believe we have arrived at a resolution that is consistent with what I discussed this afternoon with Rick and Tim. Specifically:

1. Plan Support

Our clients are prepared to sign a plan support agreement that includes the contemplated release of individual investors' securities or fraud claims against Ally, provided that: a) all parties acknowledge the right of individual investment advisers' clients to intervene to contest any such release, and b) all parties acknowledge that the investment advisors do not own those claims and thus are neither compromising nor releasing them in any of the agreements they sign. This will permit all of our clients and the investment advisers to:

a. Ensure they do not release or purport to release what they do not own;

b. Express their support for a settlement that they believe is in the best interests of all Certificateholders; and,

c. Ensure that any release granted to Ally affects all investors equally and, if granted, will be implemented only upon Ally's performance of its commitments under the Plan.

This is the most we can do given the limitations on our clients' authority, but it was sufficient in Bank of America. We believe it should be sufficient here.

We also understand, and Thrivent will require, that its separate resolution with you will be accomplished before the Plan Support Agreement is signed. Please confirm this will happen.

2. Maintenance of Holdings

Your lockup proposal is a deal breaking issue for our clients. Our clients have thousands of individual clients; others have portfolios that must be managed to meet stated investment objectives. A prospective lockup of bonds simply will not (and can never) work for them. Though there are many reasons why a sale might be necessary, our clients do not intend to pursue sales for the purpose of defeating or undermining their obligations under these agreements. History has also demonstrated that our clients have been entirely faithful to the obligations they assumed under the Bank of America settlement agreement. They have advocated zealously for the approval of that settlement for over a year. This has been true even of those investors who are advisers for others and who stand to gain nothing for themselves from the exercise. With the exception of the Maiden Lane Portfolios, whose liquidation was contemplated by the Bank of America settlement, we confirmed this afternoon that our clients have not engaged in large scale selling of their portfolios even though their Countrywide securities have gone up in price.

Our clients can and will agree to do what they did in Bank of America: they will maintain holdings in at least one trust so as to ensure they retain standing. Though it should not be necessary, they also can and will agree that they will not sell for the purpose of undermining their obligations under the Plan Support Agreement. Our clients can and will agree to advocate publicly and openly for this settlement in court. Our clients cannot, and will not, do more than that.

3. Fortress Sale

The Fortress Sale is a condition to the Ally Settlement. The Ally Settlement is--in turn--a condition to the Plan our clients are agreeing to support. So long as the termination of the Ally Settlement or the Fortress Settlement are events of termination for our clients, and are made express (not inherent) termination events, that should largely suffice to address our earlier concerns. We therefore propose that we: a) make those conditions express, such that their failure permits our clients or the Trustees to terminate; and, b) that we agree on a simple, mechanical process in which we send you our clients' signatures in trust, pending the execution of the Fortress and Ally Agreements. Once the Fortress Agreement is signed, we will authorize you to affix our clients' signatures to it and we can all proceed.

4. Rule 2019 Confidentiality

The disclosure of our clients' holdings is a matter of confidential and proprietary information. We had earlier requested that the Debtors undertake to seek an order providing that those holdings would be confidential for all creditors; though this request was refused at the time, we trust this will not be an ongoing problem given the matters discussed above. It would be most unfortunate if obduracy on this essential requirement were to become an impediment to what otherwise appears capable of being accomplished.

Please advise us promptly whether these changes will work. I have one final call with my clients tomorrow at 1:30 Central and we must have final terms before that time. If you need to reach me this evening, please send me an email and I will call you back.

Thanks,

Kathy

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A. 24

From: Marano, Tom
Sent: Friday, March 16, 2012 8:32 PM
To: Devine, Timothy
Cc: Solomon, William Legal; Carpenter, Michael
Subject: RE: CONFIDENTIAL ATTORNEY CLIENT PRIVILIGED WORK PRODUCT

Ill see your tolling agreement and raise you one. Please have bill send me one for ResCap claims against Ally.

Seriously, I am fine with a DB tolling agreement if you can get one while you work through various issues

Redacted

Redacted

A. 25

From: Ginger Cavanaugh <Ginger@talcottfranklin.com>
Sent: Thursday, March 22, 2012 11:00 PM
To: Timothy.Devine@Ally.com
Subject: RFC
Attach: Negotiations Letter to Ally updated (2).pdf

Mr. Devine:

Attached please find a letter from Talcott Franklin. Please confirm your receipt of same. Thank you.

--

Ginger L. Cavanaugh
Director of Firm Administration
Talcott Franklin P.C.
214.506.1088 direct
214.736.8730 main
214.326.5349 cell
Ginger@talcottfranklin.com
www.talcottfranklin.com

TALCOTT FRANKLIN P.C.
208 NORTH MARKET STREET
SUITE 200
DALLAS, TEXAS 75202
214.736.8730
WWW.TALCOTTFRANKLIN.COM

SENDER'S DIRECT DIAL:
214.321.3838

March 22, 2012

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265

Via email to Timothy.Devine@Ally.com

Re: Residential Funding Corporation ("RFC") as Seller and Master Servicer

Dear Tim:

I write concerning our effort at negotiations regarding the attached Trusts (the "Trusts"), which are established pursuant to various Pooling and Servicing Agreements ("PSAs"). Terms not otherwise defined have the meanings set forth in the PSAs.

This firm represents a significant number of clients with beneficial interests in the Trusts. The firm has approached RFC and its parent Ally seeking to negotiate solutions to problems respecting the Trusts. I think you will agree that in our attempt at negotiations, the firm and its clients have been forthright, courteous, and respectful. We have avoided posturing. We have offered to serve as a resource for solutions rather than a source of problems.

Unfortunately, meetings have been delayed, and Ally has failed to provide responses to offers of compromise. To move negotiations forward, we have offered various paths for solutions. Ally has not provided any indication as to whether one or more of those paths offer hope for resolution.

Meanwhile, we continue to hear rumors and see media reports that Ally is engaged in extensive negotiations with entities that have interests adverse to, or that will affect those of, our clients. We have heard a bankruptcy filing is being contemplated no later than the end of the month. Our clients are justifiably concerned that Ally may be holding out on us so it can place RFC in bankruptcy and force an untenable resolution on our clients (the "Potential Strategy").

I write to remind Ally of several things that it should consider if it intends to pursue the Potential Strategy outlined above. *First*, Ally is ultimately largely owned by the United States taxpayers, and should conduct itself with the same business ethics that most Americans would apply to their daily affairs. The Potential Strategy, if pursued by Ally, is both underhanded and entirely inconsistent with the ethics most Americans expect from themselves and their children.

Second, the Potential Strategy is also inconsistent with Ally's recent advertising campaign, and any pursuit of the Potential Strategy will directly and forcefully undermine Ally's recent effort to re-brand itself, including the widely circulated pony commercial that concludes: "Even kids know it's wrong to hold out on somebody. Why don't banks?"

Third, the firm's clients have instructed the Trustee of each RALI Trust to not engage in any settlement discussions affecting our clients' interests without also involving our clients in the negotiations. It is therefore pointless to avoid negotiations with the firm's clients, as the Trustee at issue is unlikely to favor one group of Certificateholders over another or ignore a reasonable instruction.

I repeat that our clients are interested in engaging in a substantive dialogue that resolves the issues respecting RFC's repurchase obligations and servicing. I look forward to a response no later than Monday as to when such negotiations can take place.

Sincerely,

Talcott J. Franklin

TRUSTS

RALI 2002-QS19
RALI 2003-QS14
RALI 2003-QS15
RALI 2004-QA1
RALI 2004-QS1
RALI 2004-QS3
RALI 2004-QS4
RALI 2004-QS5
RALI 2005-QA12
RALI 2005-QA2
RALI 2005-QA8
RALI 2005-QO1
RALI 2005-QO4
RALI 2005-QS9
RALI 2005-QS13
RALI 2005-QS15
RALI 2005-QS16
RALI 2005-QS17
RALI 2005-QS2
RALI 2005-QS3
RALI 2005-QS5
RALI 2006-QA3
RALI 2006-QA8
RALI 2006-QH1
RALI 2006-QO1
RALI 2006-QO3
RALI 2006-QO4
RALI 2006-QO5
RALI 2006-QO8

RALI 2006-QS10
RALI 2006-QS11
RALI 2006-QS14
RALI 2006-QS16
RALI 2006-QS17
RALI 2006-QS3
RALI 2006-QS4
RALI 2006-QS5
RALI 2006-QS6
RALI 2006-QS7
RALI 2006-QS8
RALI 2006-QS9

RALI 2007-QA2
RALI 2007-QA3
RALI 2007-QH2
RALI 2007-QH3
RALI 2007-QH4
RALI 2007-QH6
RALI 2007-QH7
RALI 2007-QH9
RALI 2007-QO2
RALI 2007-QS1
RALI 2007-QS2
RALI 2007-QS5
RALI 2007-QS6
RFMSI 2007-S4

A. 26

REDACTED

A. 46

From: Cancelliere, Jeff - PA
Sent: 5/8/2012 11:00:44 AM
To: Lee, Gary S.; Devine, Timothy; rcieri@kirkland.com
Cc: Ruckdaschel, John; rschrock@kirkland.com; Levitt, Jamie A.; mark.renzi@fticonsulting.com; Solomon, William Legal
Subject: RE: Are you available

One of the drivers for the lower defect from her standpoint is due to better performance on the loans as well as servicing efficiency.

From: Lee, Gary S. [GLee@mofo.com]
Sent: Tuesday, May 08, 2012 9:59 AM
To: Devine, Timothy; rcieri@kirkland.com
Cc: Ruckdaschel, John; Cancelliere, Jeff - PA; rschrock@kirkland.com; Levitt, Jamie A.; mark.renzi@fticonsulting.com; Solomon, William Legal; Lee, Gary S.
Subject: Re: Are you available

Jeff is trying to understand her BoA exhibit and then we may have a clearer view. In reality - lehman was 35pc, she says boa was 36, and 22pc is lower than we thought we would end up with. She is taking the discount already because its bk dollars not boa dollars.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy
To: Devine, Timothy ; Lee, Gary S.; 'rcieri@kirkland.com'
Cc: Ruckdaschel, John ; Cancelliere, Jeff - PA ; 'rschrock@kirkland.com' ; Levitt, Jamie A.; 'Renzi, Mark' ; Solomon, William Legal
Sent: Tue May 08 10:46:04 2012
Subject: RE: Are you available
Folks:

Light bulb moment:

Isn't the obvious answer that KP states her 22% - 11 billion or whatever – and then takes an appropriate haircut (analogous to the 36% to 14% haircut she took in BoA) to get to a lower $ number ($8B?) as stipulated allowed claim?

If you all agree, please help me enunciate in simple terms what the haircut is based on and we can work out who talks it through with KP.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Tuesday, May 08, 2012 7:15 AM
To: Lee, Gary S.; 'rcieri@kirkland.com'
Cc: Ruckdaschel, John; Cancelliere, Jeff - PA; 'rschrock@kirkland.com'; JLevitt@mofo.com; Renzi, Mark; Solomon, William Legal
Subject: FW: Are you available

Here's KP's version – the BoA settlement was not at 14% but at 36% and then haircut to the risk that BoA would not be responsible for Countrywide if the matter was litigated rather than settled.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Tuesday, May 08, 2012 1:19 AM
To: Devine, Timothy
Subject: Re: Are you available

No, that's wrong: the BofA defect rate was over 30%. BofA ARGUED with us that the defect rate was 14%, which is why that is scenario 1 in the spreadsheet that BNY's expert used--but the ACTUAL defect rate we used, and settled on, was 36%. That would be scenario 3 or 4 in our spreadsheet, which is in the BNY expert report, too. I'm at a loss to understand why ResCap and Ally won't just look at the spreadsheet we used in BofA--because the scenarios in it track exactly what I've said. BofA argued for a vastly lower defect rate, which we rejected; they paid based on our much higher defect rate, which we accepted.

Importantly, the 36% defect rate we used for BofA was before litigation discounts, a primary one of which was the risk--which has obtained here--that Countrywide would go into bankruptcy. But for that risk, and the insolvency of Countrywide, the size of the CLAIM that we calculated against BofA was $32 billion. That's why I keep telling you that what we got from them was 25.7 cents on the dollar: the CLAIM size was $32 billion against them, and we settled for $8.5 billion, which is a recovery of 25.7 cents on the dollar based on a defect rate of 36%. Here, we've got a CLAIM size of more than $10 billion on which, as a practical matter, the recovery will be far less due to ResCap's bankruptcy.

Below is the relevant set of comparisons:

BofA Original Face: $432 billion	ResCap OF: $220 billion
BofA Current Face at Settlement: $163 billion	ResCap CF: $63 billion
BofA Claim Size: $32.5 billion	ResCap Claim Size: $10 billion
BofA Defect vs. Losses: 36%	ResCap Defect vs. Losses 22.2%
BofA Settlement: $8.5 billion	ResCap Settlement: whatever is distributed
BofA Settlement vs. Claim Size: 25.7 cents	ResCap Settlement: distrib. amt / $10 billion

That's why the numbers you're giving me don't make any sense, either with regard to our BofA Settlement--because the numbers you have are just wrong--or by virtue what we know about ResCap. We've analyzed and assessed what we think is ResCap's actual exposure: if we were using the same, 36% defect rate we used with Bank of America, the claim size for ResCap would be well in excess of $18 billion. Instead, we've offered to resolve by agreeing to a claim size of $10 billion.

Thus, the claim size is not just ratably lower based on issuance size, it is actually lower as a result of our analysis of the ResCap defect rate vs. Countrywide's. ResCap will have problems not just with us but with every investor if you try to suggest that the defect rate is a lot lower than where we've analyzed it: you can't reconcile that with the data, the accrued losses or the allegations in existing and future lawsuits.

Bottom line: you are getting a lower defect rate, but it's a realistic rate based on accurate data and using the same methodology we used before.

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On May 8, 2012, at 12:12 AM, "Devine, Timothy" > wrote:

I'm getting lots of pressure on valuation now. BoA 8.5 billion represents 14 defect rate, correct? Everything we know about our product - from origination through pooling through reps and diligence throughg servicing - makes our folks believe we are better (lower) than Countrywide by a large margin. I am being asked to explain how we could agree to a defect rate 150 of Countrywide's.

----- Original Message -----
From: Kathy D. Patrick >
To: Devine, Timothy; Kathy D. Patrick >
Sent: Mon May 07 21:15:14 2012
Subject: Re: Are you available

Sure. 713 972 4695

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

----- Original Message -----
From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Monday, May 07, 2012 08:10 PM
To: Kathy D. Patrick
Subject: Re: Are you available

May I call you in 15 minutes? Sorry.

----- Original Message -----
From: Kathy D. Patrick >
To: Devine, Timothy
Sent: Mon May 07 19:57:18 2012
Subject: Are you available

At 830 Eastern tonight?
Where can I reach you?

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

A. 47

Outlook E-mail

From: Lee, Gary S.
Sent: 5/9/2012 9:12:19 AM
To: 'Timothy.Devine@ally.com'; 'tammy.hamzehpour@ally.com'; 'john.ruckdaschel@ally.com'; 'rcieri@kirkland.com'; 'rschrock@kirkland.com'; Levitt, Jamie A.; 'jeff.cancelliere@gmacrescap.com'; 'William.Thompson@ally.com'; 'Lauren.Delehy@gmacrescap.com'; 'mark.renzi@fticonsulting.com'
Cc: Lee, Gary S.
Subject: Re: Talcott Franklin

We can send him a revised agreement and psa when we get next draft from kp.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy
To: Hamzehpour, Tammy ; Ruckdaschel, John ; Cieri, Richard M. ; Lee, Gary S.; Schrock, Ray C. ; Levitt, Jamie A.; Cancelliere, Jeff - PA ; Thompson, William - Legal Dept - PA ; Delehey, Lauren - PA ; Renzi, Mark
Sent: Wed May 09 09:04:24 2012
Subject: Talcott Franklin

Good news.

Talcott Franklin called me.

He is very favorably inclined to support and participate in what we're doing.

He says he can move quickly, but he has not yet obtained client support – given his very diffuse client pool. He is confident he can deliver.

He is, on his own, speaking with trustee DB on potential mechanics of a potential deal. I told him I assume he will do what he needs to do subject to all the nda and other considerations to be in position to deliver instructions to trustees, etc. as any settlement will require.

Jeff C: will you please update the team as to how much more participation in RFC and GMACM that Talcott Franklin's participation would deliver?

I let him know that there are deals moving quickly and that he should be prepared to show full support. He stated that he sees the value in the plan we have developed and that the alternatives are all much worse.

I told him that the BK lawyers will be in best position from our side to tell him how to manifest his support.

I think he would like to sign something pre-petition. I certainly am not the right person to negotiate that with him. As you recall, we sent him a draft of the settlement agreement and PSA early on.

I would appreciate feedback as to next steps.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
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909-148
11/19/12

A. 48

ResCap

Steve Abreu
Jonathan Ilany
John Mack
Tom Marano
Ted Smith
Pam West
Jim Whitlinger

Residential Capital, LLC Board of Directors Meeting
Wednesday, May 9, 2012, 3:00 pm (ET)
Dial-in No.: 866-203-0920 / International No.: 206-445-0056
Conference Code: 53396-93036

A special telephonic meeting of the ResCap Board of Directors will be held Wednesday, May 9, 2012, at 3:00 pm (ET). An agenda is attached. Supporting materials will be distributed just before the meeting.

Please let me know if you are unable to participate. Feel free to contact me by phone (313.656.6301) or email (cathy.quenneville@ally.com) should you have any questions. Thank you.

Cathy Quenneville
Secretary
5/9/12

cc: Tammy Hamzehpour
Morrison Cohen
Morrison & Foerster

EXHIBIT
PENGAD 800-631-6989
9019-4

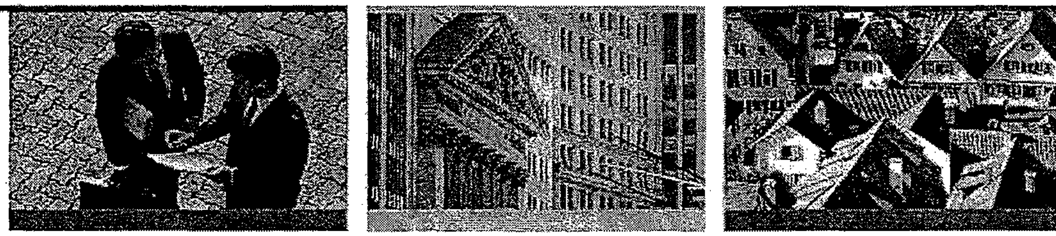
Residential Capital, LLC
Board of Directors
Wednesday, May 9, 2012, 3:00 pm (ET)

Agenda

	Length	Start
1. **Proposed Legal Settlement**	(30 min)	3:00 pm
2. **Project Bounce Update**	(30 min)	3:30 pm

ResCap Private Label Securities
Rep & Warrant Settlement Discussion
Supporting Information
May 9th, 2012

Confidential



ally

RESCAP

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2004-2007 PLS R&W Analysis

		A	B	C	D
		ResCap Issued Deals			
			ResCap Issuance	KP Group	% of Total Issue
1	Deal Collat (a)	Original Balance	226,029.3	171,250.8	**76%**
2		Current Balance	63,284.8	49,238.1	**78%**
		% Delinquent	28%	29%	
3		Cume Loss To Date	29,891.9	22,694.1	**76%**
4		Projected Loss	14,225.7	10,937.4	**77%**
5		Est Lifetime Loss	44,117.5	33,631.5	**76%**
6		Est Lifetime Loss % of Orig Bal	19.5%	19.6%	
13	Settle Amt	**ResCap Settlement - 19.72% Defect**	**8,700.0**	**6,632.1**	**76%**
14		Lehman Claim Amount - 35% Defect	15,441.1	11,771.0	**76%**
15		BofA Baseline - 36% Defect	15,882.3	12,107.4	**76%**

(a) Collateral and Bond information sourced from Intex files

Key Notes:

1) KP's investor group covers 82% of RFC issued non-wrapped deals and 88% of GMACM issued non-wrapped deals
2) KP's investor group covers 63% of RFC issued wrapped deals and 28% of GMACM issued wrapped deals

[redacted]

4) ResCap projected losses based on third party vendor model (ADCO LDM), and the model was calibrated to fit ResCap collateral performance by product/vintage
5) ResCap projected severity based on Moody's baseline HPI forecast and ADCO model loss estimations
6) There could be amounts conceded if the true defect rate is below the 19.72% based on actual loan file reviews and application of litigation defenses.
7) Lehman bankruptcy estimated claim amount for plan voting based on 35% defect rate. The defect rate could be higher as claims are resolved.
8) BofA proposed settlement defect rate set at 36% prior to litigation adjustments
9) KP has factored into the analysis the estimated recovery amount through bankruptcy, as well as third party releases.

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

A. 49

Outlook E-mail

From: Lee, Gary S.
Sent: 5/9/2012 2:38:44 PM
To: John Mack (john_e_mack@msn.com); Jonathan Ilany (jonathan@ilany.net); Pamela West (alemapew45@bellsouth.net); Abreu, Steve - PA; Ted Smith (efs345@gmail.com); Whitlinger, Jim - PA; Marano, Tom
Cc: Hamzehpour, Tammy; Evans, Nilene R.; Tanenbaum, James R.; Nashelsky, Larren M.; Joe Moldovan (jmoldovan@morrisoncohen.com); Jack Levy (jlevy@morrisoncohen.com); David Lerner (dlerner@morrisoncohen.com); Connolly, Michael
Subject: Meeting Notice - ResCap Board Meeting, May 9, 2012, 3:00 pm (ET) - privileged and confidential attorney-client communication
Attachments 0804_001.pdf

Materials for 3 pm attached. They have been prepared for settlement and illustrative purposes only.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Ellenburg, April A. [mailto:april.ellenburg@ally.com]
Sent: Wednesday, May 09, 2012 2:08 PM
To: John Mack (john_e_mack@msn.com); Jonathan Ilany (jonathan@ilany.net); Pamela West (alemapew45@bellsouth.net); Abreu, Steve - PA; Ted Smith (efs345@gmail.com); Whitlinger, Jim - PA; Marano, Tom
Cc: Hamzehpour, Tammy; Evans, Nilene R.; Tanenbaum, James R.; Nashelsky, Larren M.; Lee, Gary S.; Joe Moldovan (jmoldovan@morrisoncohen.com); Jack Levy (jlevy@morrisoncohen.com); David Lerner (dlerner@morrisoncohen.com); Connolly, Michael; Grzeskiewicz, Terry - PA; Klepchick, Dottie - PA; Shank, Jennifer - PA; Dillard, Thalia; Dicicco, Donna; Quenneville, Cathy L.; Skover, Katherine M.; Taylor, Barbara N.
Subject: Meeting Notice - ResCap Board Meeting, May 9, 2012, 3:00 pm (ET)
Importance: High

Residential Capital, LLC Board of Directors Meeting
Wednesday, May 9, 2012, 3:00 pm (ET)
Dial-in No.: 866-203-0920 / International No.: 206-445-0056
Conference Code: 53396-93036

A special telephonic meeting of the ResCap Board of Directors will be held Wednesday, May 9, 2012, at 3:00 pm (ET). An agenda is attached. Supporting materials will be distributed just before the meeting.

Please let me know if you are unable to participate. Feel free to contact me by phone (313.656.6301) or email (cathy.quenneville@ally.com) should you have any questions. Thank you.

Cathy Quenneville
Secretary
5/9/12

EXHIBIT
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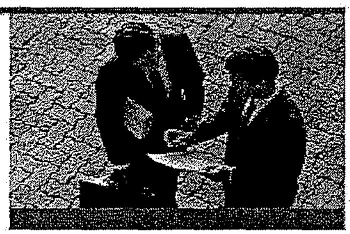
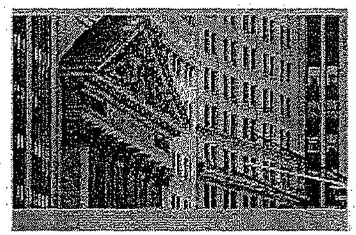
9019 60
11/12/12

ResCap Private Label Securities
Rep & Warrant Settlement Discussion
Supporting Information
May 9th, 2012

Confidential





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RESCAP

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2) KP's Investor group covers 63% of RFC issued wrapped deals and 28% of GMACM issued wrapped deals
3) [redacted]
4) ResCap projected losses based on third party vendor model (ADCO LDM), and the model was calibrated to fit ResCap collateral performance by product/vintage
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9) KP has factored into the analysis the estimated recovery amount through bankruptcy, as well as third party releases.

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

A. 50

MINUTES of a Special Meeting of the Board of Residential Capital, LLC ("ResCap" or the "Company"), held by teleconference on due notice on May 9, 2012, at 3:00 p.m. (ET).

PRESENT: Steven M. Abreu
John E. Mack
Thomas F. Marano
Edward F. Smith III
Pamela E. West
James M. Whitlinger

constituting a quorum of the Board. Mr. Jonathan Ilany was unable to attend the meeting.

Invited guests in attendance were Jeffrey M. Cancelliere, Tammy Hamzehpour, and Cathy L. Quenneville.

Invited advisers in attendance were Nilene R. Evans, Gary S. Lee, Larren M. Nashelsky, and James R. Tanenbaum from Morrison & Foerster LLP; David Lerner and Joseph T. Moldovan from Morrison Cohen LLP; and Mark A. Renzi from FTI Consulting, Inc. (collectively, the "advisers").

The Chairman, Mr. Marano, presided and the Secretary, Ms. Quenneville, recorded.

Proposed Legal Settlement

The Committee engaged in full discussion with the advisers in attendance at the meeting regarding the proposed settlement of certain representation and warranty ("R&W") and private label securitization ("PLS") litigation claims. Discussion was given to the claims analysis that was detailed in the written presentation materials distributed in advance of the meeting. During the discussion that took place and at the request of a member of the Board, Mr. Cancelliere described the breakdown of collateral included in the proposed PLS settlement vis-à-vis the proposed settlement amount. He also discussed settlement defect rates and the percentage of R&W and PLS litigation claims that are attributed to GMAC Mortgage, LLC and to Residential Funding Company, LLC.

Mr. Renzi reviewed and discussed the key assumptions in the preliminary economic recovery analysis of preliminary agreements reached with certain constituencies. During the discussion, Mr. Marano requested that a report with separate line items identifying the different settlement amounts be prepared to provide the Board with additional details on the settlements.

Mr. Cancelliere, Mr. Lee, and Mr. Marano responded to various related questions asked by the members of the Board throughout the discussion of the proposed legal settlement.

EXHIBIT
PENGAD 800-631-6989
9019 61
11/12/12

After the conclusion of the discussion and consideration of the matters discussed with management and the advisers in attendance at the meeting, upon motion made, seconded and carried, it was unanimously

RESOLVED, that this Board approves Residential Capital, LLC entering into a private label securities and representation and warranty legal settlement agreement substantially as reviewed at its meeting on May 9, 2012, subject to such changes as Residential Capital, LLC management, upon the advice of legal counsel, shall make with the understanding that if such changes are material they will be reviewed with the Board.

Project Bounce Update

Mr. Nashelsky and Mr. Marano briefed the Board on the status of various matters related to a potential ResCap Chapter 11 filing including, but not limited to, the Ally Financial Inc. ("AFI") settlement agreement, the term sheet for a Plan of Reorganization, the debtor-in-possession facility, and negations for possible sales of certain assets to Fortress Investment Group LLC and to AFI.

Mr. Nashelsky commented on next steps and the Chapter 11 filing process.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 4:00 p.m. The charts presented at this meeting are on file with the Secretary.

DATED May 9, 2012.

Secretary

A. 51

Outlook E-mail

From: Devine, Timothy
Sent: 5/9/2012 9:04:24 AM
To: Hamzehpour, Tammy; Ruckdaschel, John; Cieri, Richard M.; Lee, Gary S.; Schrock, Ray C.; Levitt, Jamie A.; Cancelliere, Jeff - PA; Thompson, William - Legal Dept - PA; Delehey, Lauren - PA; Renzi, Mark
Subject: Talcott Franklin

Good news.

Talcott Franklin called me.

He is very favorably inclined to support and participate in what we're doing.

He says he can move quickly, but he has not yet obtained client support – given his very diffuse client pool. He is confident he can deliver.

He is, on his own, speaking with trustee DB on potential mechanics of a potential deal. I told him I assume he will do what he needs to do subject to all the nda and other considerations to be in position to deliver instructions to trustees, etc. as any settlement will require.

Jeff C: will you please update the team as to how much more participation in RFC and GMACM that Talcott Franklin's participation would deliver?

I let him know that there are deals moving quickly and that he should be prepared to show full support. He stated that he sees the value in the plan we have developed and that the alternatives are all much worse.

I told him that the BK lawyers will be in best position from our side to tell him how to manifest his support.

I think he would like to sign something pre-petition. I certainly am not the right person to negotiate that with him. As you recall, we sent him a draft of the settlement agreement and PSA early on.

I would appreciate feedback as to next steps.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
PENGAD 800-631-6989
9019-87
11/13/12

A. 52

Outlook E-mail

From: Cancelliere, Jeff - PA
Sent: 5/9/2012 7:16:02 AM
To: Devine, Timothy
Subject: Re: Defect rate

Using our 44.1B losses the defect rate would be about 19.7. Using her loss method which puts me at 48.7B the defect rate would be around 17.9

----- Original Message -----
From: Devine, Timothy
Sent: Wednesday, May 09, 2012 05:50 AM
To: Cancelliere, Jeff - PA
Subject: Defect rate

Jeff: what is the defect rate at 8.7 billion, according to her severities etc and according to ours? Thanks. Tim.

EXHIBIT
PENGAD 800-631-6989
9019-117
11/14/12

A. 53

Outlook E-mail

From: Devine, Timothy
Sent: 5/9/2012 9:03:30 AM
To: Lee, Gary S.
Cc: Cieri, Richard M.; Schrock, Ray C.
Subject: KP

Gary: as I told you on the phone, Ally will support the $8.7 billion allowed claim. There is no new Ally money. Hard stop at 750 + 200 + 100. Thanks. Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

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EXHIBIT
9019-147
12/19/12

A. 54

From: Kathy D. Patrick
Sent: 5/9/2012 11:20:21 AM
To: Lee, Gary S.
Subject: Update

I've talked to Ally this morning. They confirmed they will do 8.7 bn for the stipulated claim. Waiting on the waterfall from you.

Where does it stand?

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

A. 55

Outlook E-mail

From: Kathy D. Patrick
Sent: 5/9/2012 1:02:36 PM
To: Lee, Gary S.; Timothy.Devine@ally.com
Cc: Kathy D. Patrick; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RMBS Stipulated Claim

Gary and Tim:

I have heard separately from each of you that: a) ResCap is going to its board today for approval of execution and filing of a settlement that includes a stipulated claim of 8.7 billion for the RMBS Trusts and the diligent pursuit of such settlement by the debtors; and, b) that Ally does not object to ResCap's approval and decision to proceed in that fashion and will execute a plan support agreement contemplating that settlement.

We understand that, under applicable governance structures, Ally has the right to approve a commitment of this type by ResCap.

Please confirm, in response to this email, that Ally is aware of ResCap's plan and will today provide either: a) the necessary approval or b) a confirmation that it has waived its right to approve and does not and will not object to ResCap's action.

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

A. 56

From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
Sent: Thursday, May 10, 2012 3:41 AM
To: Devine, Timothy
Subject: Re: Settlement

Good. Gary just called me, too. I explained to him that this will never get done if he tries that: we only valued the putback claims, we didn't even look at or consider a valuation of securities claims, and if he tried to take the position now that securities claims are covered then:

1. The Trustees will say it is now too little, because it doesn't adequately compensate the Putback claims;

2. The securities claimants will say it is too little, because it didn't even value--much less compensate, their claims;

3. MBIA and Freddie will have to fight like demons, when the alternative would be that this settlement goes through and they get their securities claims estimated and resolved later.

We're all on a ragged edge of fatigue, but we can't do something that will never get approved: the deal is simple and will work as it is--it will never work if he tries to do that, and we can't support it.

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On May 9, 2012, at 10:27 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

> I'll try to straighten everything out. I noticed some strange questions coming from Freddie's counsel this evening. Let me work on it.
>
> Tim
>
> Timothy A. Devine
> Chief Counsel - Litigation
> Ally Financial Inc. Legal Staff
> 200 Renaissance Center
> M/C: 482-B09-B11
> Detroit, MI 48265
> (313) 656-3477
>
> -----Original Message-----
> From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
> Sent: Wednesday, May 09, 2012 10:52 PM
> To: Devine, Timothy
> Subject: Settlement
>
> Tim -
>
> I need your help.
>
> Gary is claiming he was "told" that our clients would release securities claims in the plan.
> We never told him that and we have never offered or agreed to release securities claims. We've been very clear about that from the very beginning. It's the basis on which I got my clients to approve it. it's what I've told the Trustees this morning. it's also what I assured Freddie Mac. as you and I discussed: a release of securities claims is not part of this putback

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9019-150
11/19/12

settlement.

Gary's misunderstanding--or his effort to extract something that we never offered and don't have to give--is impeding getting the deal documented.

Would you please intercede with him and tell him to move on? Insisting on this will destroy any chance of the deal happening. I understand his determination to try again, but we need to move on.

I'm sorry to bother you, but we need you to intercede here.

Thanks,

Kathy

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

A. 57

Outlook E-mail

From: Levitt, Jamie A.
Sent: 5/10/2012 7:02:56 AM
To: 'Timothy.Devine@ally.com'; Lee, Gary S.; 'rcieri@kirkland.com'; Nashelsky, Larren M.; 'nornstein@kirkland.com'
Cc: 'William.b.Solomon@ally.com'
Subject: Re: RMBS Stipulated Claim

I apologize, but with the lateness of the hour I believe I sent a confusing email, so I will clarify:

1. First, we have NOT sent anything back yet to Ropes or KP re these revisions. They are for your review and further revision.

2. Although we know we will have to eventually trade this point, based on the deal Gary discussed with KP, the agreement currently makes the $8.7B a cap, such that all claims including securities claims, come out of it.

3. Once we reach agreement on the rest of the terms, we will eventually give on the point that KP's clients are not releasing securities claims, but for now we are going to put the full release back into the draft settlement agreement. In other words we will, for this turn state that all claims, including securities claims are released.

Sorry if I created any confusion.

Jamie

From: Levitt, Jamie A.
To: 'Timothy.Devine@ally.com' ; Lee, Gary S.; 'rcieri@kirkland.com' ; Nashelsky, Larren M.; 'nornstein@kirkland.com'
Cc: 'William.b.Solomon@ally.com'
Sent: Thu May 10 02:01:17 2012
Subject: Re: RMBS Stipulated Claim

Tim,

Consistent with what you state below, we have accepted their revision to the release in the settlement agreement to exclude securities law claims. We are marking up the settlement agr and PSA based on our discussions tonight with Ropes and will circulate internally before sending back to them.

Assume we should agree to the same change for Talcott when we talk to them tomorrow?

Jamie

From: Devine, Timothy
To: Lee, Gary S.; rcieri@kirkland.com ; Nashelsky, Larren M.; nornstein@kirkland.com ; Levitt, Jamie A.
Cc: Solomon, William Legal
Sent: Thu May 10 01:55:08 2012
Subject: RE: RMBS Stipulated Claim

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Folks:

The KP settlement is for *everything* except securities claims. And we can define securities claims narrowly.

Is that what the language in the current/final draft settlement agreement reads? Remember, we talked about this in some detail.

Please let me know what the main remaining arguments are and I will weigh in. I want to read the drafts before Ally agrees to them.

The circle is squared at the Plan. KP can only get us the "everything-but-securities" settlement release because that is the full extent of her representation. She has been clear about that. Same as in her BoA/BoNYM work. Etc.

But notice: though her clients don't release securities claims, they sign Plan Support Agreements, and the Plan includes very simple comprehensive releases, which of course include third party release of all claims, which of course includes securities

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11/19/12

claims.

Presto.

So while she can't represent parties in giving up their securities claims, clients face a choice: either sign up with the settlement to make sure your trust receives monies under the waterfall, in which case you need to sign the Plan Support Agreement and support the Plan. And the Plan wipes out all their claims of any sort.

This is the beauty of it.

It is also the reason that FHFA/Freddie probably can't sign the settlement agreement. They believe their securities law claims are worth something, even in the filing; and they are also hedging against the contingency that the Plan fails, in whjch case they would like to be able to get on with a lawsuit against Ally Financial Inc. on the $1 billion loss on Freddie's securities.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Wednesday, May 09, 2012 11:35 PM
To: Devine, Timothy; rcieri@kirkland.com; Nashelsky, Larren M.; nornstein@kirkland.com; Levitt, Jamie A.
Subject: Re: RMBS Stipulated Claim

I'm around.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy
To: Lee, Gary S.; rcieri@kirkland.com ; Nashelsky, Larren M.; nornstein@kirkland.com
Sent: Wed May 09 23:26:53 2012
Subject: RE: RMBS Stipulated Claim
Can we pull a call together this evening?

Would folks be available at 11:45?

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Wednesday, May 09, 2012 11:17 PM
To: rcieri@kirkland.com; Nashelsky, Larren M.; Devine, Timothy; nornstein@kirkland.com

Subject: Fw: RMBS Stipulated Claim

Fyi

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Lee, Gary S.
To: 'Kathy D. Patrick'
Sent: Wed May 09 23:08:24 2012
Subject: RMBS Stipulated Claim

Kathy, the waterfall is attached. It is not yet ready for distribution beyond the two of us. [redacted] That is clearly and materially better than where we were.

There seems to be disagreement (based on our call with Ropes) on one fundamental point. So we are clear, I am writing it down so you and I can discuss.

My understanding of our deal is that the $8.7bn number settles all claims arising from the sale and servicing of the RMBS. That's what I was agreeing to when I said "8.7 to be all deals wrapped and unwrapped as per all our waterfalls" in response to your email to me. The waterfall clearly delineates and separates pls and rw claims from all other unsecured claims (that's the purpose of the separate categories). The pls and rw lines cover all claims of any kind by that creditor class - we don't distinguish between servicing claims, contract breach claims, fraud claims or securities. These claims are - simply - claims arising from wrapped and unwrapped securitisations and nothing more. That's why I said everyone gets one claim full stop.

So if your clients do not or can not release their securities claims through you, and we cannot defeat them entirely in the bk court, then they get a share in the $8.7bn. But either way, the $8.7bn is the number for wrapped and unwrapped deals.

So when Ross tells me an unknown amount of securities claims comes on top of this I get spooked - because that renders a deal at $8.7bn illusory. And if you ask why I care - which is what Ross screamed at me this evening - beyond the fact that this is the deal I sold to our board and thought we had, it (a) gives everyone an incentive to manage attacks by other claimants to get into the class or attempt to get a bigger share and (b) is consistent with the need to maintain recoveries for other constituents who are key to the success of the plan.

Aside from my lack of interest in aggressive behavior from counsel, I like you don't expect to be re-traded. I remind you I said I would get you $8.7bn and that's what I did. Please call me after you have reviewed. There are some other smaller points that fall into this category and we can discuss those as well.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Wednesday, May 09, 2012 8:52 PM
To: Ross.Martin@ropesgray.com; Lee, Gary S.; Wishnew, Jordan A.; Kathy D. Patrick
Cc: Keith.Wofford@ropesgray.com; Levitt, Jamie A.; David Sheeren
Subject: Re: RMBS Stipulated Claim

We do. David, what's the total holdings number (not just our holdings in deals where we have 25 per cent)?

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

From: Martin, D. Ross [mailto:Ross.Martin@ropesgray.com]
Sent: Wednesday, May 09, 2012 04:57 PM
To: 'Lee, Gary S.' <GLee@mofo.com>; Wishnew, Jordan A. <JWishnew@mofo.com>; Kathy D. Patrick
Cc: Wofford, Keith H. <Keith.Wofford@ropesgray.com>; Levitt, Jamie A. <JLevitt@mofo.com>
Subject: RE: RMBS Stipulated Claim

I think Kathy is in transit at the moment, but I do believe we have a number like that.

D. Ross Martin
ROPES & GRAY LLP
T(BOS) +1 617 951 7266 | T(NY) +1 212 596 9177 | M +1 617 872 1574 | F +1 617 235 0454
Prudential Tower, 800 Boylston Street
Boston, MA 02199-3600
ross.martin@ropesgray.com
www.ropesgray.com

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Wednesday, May 09, 2012 5:56 PM
To: Wishnew, Jordan A.; kpatrick@gibbsbruns.com; Martin, D. Ross
Cc: Wofford, Keith H.; Levitt, Jamie A.; Lee, Gary S.
Subject: Re: RMBS Stipulated Claim

If possible we would like to say investors holding x dollars in aggregate.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

----- Original Message -----
From: Wishnew, Jordan A.
To: 'kpatrick@gibbsbruns.com' <kpatrick@gibbsbruns.com>; 'ross.martin@ropesgray.com' <ross.martin@ropesgray.com>
Cc: 'Keith.Wofford@ropesgray.com' <Keith.Wofford@ropesgray.com>; Levitt, Jamie A.; Lee, Gary S.
Sent: Wed May 09 17:47:33 2012
Subject: RE: RMBS Stipulated Claim

Kathy:

One question - in our documents, we want to note that the Debtors have come to terms with your clients as memorialized in a plan support agreement. We would propose to refer to your clients as "investors in residential mortgage-backed securities", but are open to any other suggestions that you may have or prefer.

The sentence would read, in part, "The debtors intend to implement a comprehensive reorganization by consummating the Asset Sales through a plan of reorganization consistent with the terms of a plan support agreement with ...[ ]."

We look forward to hearing from you.

Thank you.

Regards,

Jordan

Jordan A. Wishnew
jwishnew@mofo.com
212-336-4328

-----Original Message-----
From: Lee, Gary S.
Sent: Wednesday, May 09, 2012 4:28 PM
To: 'kpatrick@gibbsbruns.com'; 'ross.martin@ropesgray.com'
Cc: 'Keith.Wofford@ropesgray.com'; Levitt, Jamie A.; Wishnew, Jordan A.; Lee, Gary S.
Subject: Re: RMBS Stipulated Claim

Jordan, let Kathy and Ross know when we get a time. Kathy, we will want to talk about messaging and preparation for your remarks at the hearing. Pick a time saturday afternoon.
------Original Message------
From: Kathy D. Patrick
To: Gary Lee
To: Ross Martin
To: Kathy D. Patrick
Cc: Keith.Wofford@ropesgray.com
Cc: Jamie A. Levitt
Subject: Re: RMBS Stipulated Claim
Sent: May 9, 2012 4:13 PM

Before you do, who on your team will let us know time to show up for first day? Thanks. Kathy D. Patrick Gibbs & Bruns, L.L.P. From: Lee, Gary S. [mailto:GLee@mofo.com] Sent: Wednesday, May 09, 2012 03:10 PM To: ross.martin@ropesgray.com <ross.martin@ropesgray.com>; Kathy D. Patrick Cc: Keith.Wofford@ropesgray.com <Keith.Wofford@ropesgray.com>; Levitt, Jamie A. <JLevitt@mofo.com> Subject: Re: RMBS Stipulated Claim Jamie and Tony Princi. I am slowly vanishing. Gary S. Lee Morrison & Foerster LLP 1290 Avenue of the Americas New York, NY 10104-0050 T. 212.468.8042 F. 212.468.7900 glee@mofo.com
From: Martin, D. Ross To: Lee, Gary S.; kpatrick@gibbsbruns.com Cc: Wofford, Keith H. Sent: Wed May 09 16:05:44 2012 Subject: RE: RMBS Stipulated Claim Obviously you've been tied up; just let us know when (and with whom) you want to discuss the Plan Support Agreement.

D. Ross Martin ROPES & GRAY LLP T(BOS) +1 617 951 7266 | T(NY) +1 212 596 9177 | M +1 617 872 1574 | F +1 617 235 0454 Prudential Tower, 800 Boylston Street Boston, MA 02199-3600 ross.martin@ropesgray.com www.ropesgray.com Circular 230 Disclosure (R&G): To ensure compliance with Treasury Department regulations, we inform you that any U.S. tax advice contained in this communication (including any attachments) was not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. tax-related penalties or promoting, marketing or recommending to another party any tax-related matters addressed herein.

This message

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

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A. 58

From: Ornstein, Noah
Sent: 5/10/2012 11:32:02 PM
To: Lee, Gary S.; Clark, Daniel E.; Levitt, Jamie A.; Newton, James A.
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

Any claim that can come back to Ally/ResCap needs to be released. Re Ally, while we are looking for third-party releases in the plan, rather not rely on the plan but cut it off in the settlement.

Noah J. Ornstein
Kirkland & Ellis LLP
300 North LaSalle | Chicago, IL 60654
p. (312) 862-2122 | f. (312) 862-2200

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Thursday, May 10, 2012 10:15 PM
To: Clark, Daniel E.; Levitt, Jamie A.; Newton, James A.; Ornstein, Noah
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

for now keep in the securities in 5.01 as part of the class and clarify in 5.02 that securities claims are included (ie released). the 2 paras conflict on that point.

Also, if you look at talcotts agreement it seems to me that there are a host of claims they want to bring against third parties that may have indemnity rights against rescap or ally. those claims have to be released here too Jamie (add whatever talcott refuses to release). Noah, how do you think we should be addressing these indemnity claims which are going to come up.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Clark, Daniel E.
Sent: Thursday, May 10, 2012 11:09 PM
To: Levitt, Jamie A.; Lee, Gary S.; Newton, James A.
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

I think that this may avoid some of the math, and get us to the same place:

Section 5.01 The Allowed Claim. ResCap hereby makes an irrevocable offer to settle, expiring at 5:00 p.m. prevailing New York time on the date that is forty five (45) days after the Petition Date, with each of the Trusts that agrees to the terms of this Settlement Agreement. In consideration for such agreement, ResCap will provide a general unsecured claim of not more than $8,700,000,000 (the "Maximum Allowed Claim") which shall cover (i) any Trusts accepting the offer to settle contained in this Section 5.01, subject to the provisions of this Settlement Agreement and (ii) any Credit Enhancer asserting claims against ResCap or Ally arising out of the Governing Agreements [, and (iii) any claims of the Trusts or their respective Investors against ResCap or Ally for violations of the securities or anti-fraud laws of the United States or of any state] (collectively, the "Total Claimant Pool"). The portion of the Maximum Allowed Claim which ResCap will allow shall be limited by the percentage of claims available to the Total Claim Pool that are made in the Bankruptcy Court. Such percentage multiplied by the Maximum Allowed Claim shall be the "Allowed Claim." Accordingly, each claim, including those of any settling Trust, shall be valued *pro rata* based on its relative share of total outstanding value, and

each claim shall be *pari passu* with the claims of all other general unsecured creditors of ResCap or the relevant ResCap subsidiary.

Section 5.02 Each accepting Trust's share of the Allowed Claim shall be in full and complete satisfaction of any and all claims the trustee may have under the Governing Agreements against ResCap, including but not limited to demands for ResCap to (A) repurchase or substitute for allegedly defective Mortgage Loans, (B) make any payment as compensation or restitution for allegedly defective Mortgage Loans, (C) make any payment or compensation for allegedly defective documentation with respect to any Mortgage Loan, (D) make any payment as compensation or restitution for any defective servicing practices, and (E) take any other action regarding or otherwise be responsible for the allegedly defective Mortgage Loans; *provided, however*, that the offer to settle set forth herein shall not and does not include any settlement, release, waiver, or discharge of any claims of the Trusts or their respective Investors against ResCap for violations of the securities or anti-fraud laws of the United States or of any state. The Allowed Claim shall not be subject to offset, counterclaim, subordination and the order approving this settlement shall constitute full allowance in each of the relevant ResCap entity's respective estates.

From: Levitt, Jamie A.
Sent: Thursday, May 10, 2012 10:44 PM
To: 'David A. Beck'; Clark, Daniel E.; Jennifer A.L. Battle; nornstein@kirkland.com; Lee, Gary S.
Cc: Newton, James A.; Jeffrey A. Lipps
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

Thanks Dave. Here's the landscape:

Total OPB: $226B
KP Group: $171B

Total Estimated Loss: $44B
KP Group Estimated Loss: $33B

Total Allowed Claim: $8.7B
KP Group: $6.6B

The Allowed Claim covers <u>all</u> R/W -- monoline and trustee. So my understanding is that outside of KP's $6.6B (based on her group's OPB and Loss) is both monoline claims and trustee claims, for trusts she doesn't control or bring in.

Gary, please weigh in if I have this wrong. The drafting of your ratchet idea is proving to be a difficult task.

From: David A. Beck [mailto:beck@CarpenterLipps.com]
Sent: May 10, 2012 10:35 PM
To: Levitt, Jamie A.; Clark, Daniel E.; Jennifer A.L. Battle; nornstein@kirkland.com
Cc: Newton, James A.; Jeffrey A. Lipps
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

As I understood from Noah and Dan, we're trying to make two adjustments:

1. Take off the $8.7 billion a number based on where the monolines reject the deal. This is A and looks just at the monoline wrapped world.

2. You then have to adjust the resulting number based on the percentage of the total universe which rejects the deal based on Kathy's schedule. If we don't adjust this amount based on how the $8.7 is racheted down, you end up taking too much off.

It may make sense to talk this through on the phone so we're all on the same page.

-David

From: Levitt, Jamie A. [JLevitt@mofo.com]

Sent: Thursday, May 10, 2012 10:19 PM
To: David A. Beck; Clark, Daniel E.; Jennifer A.L. Battle; nornstein@kirkland.com
Cc: Newton, James A.; Jeffrey A. Lipps
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

I don't understand why we are tying this to wrapped deals only?

From: David A. Beck [mailto:beck@CarpenterLipps.com]
Sent: May 10, 2012 10:17 PM
To: Clark, Daniel E.; Jennifer A.L. Battle; nornstein@kirkland.com
Cc: Newton, James A.; Levitt, Jamie A.; Jeffrey A. Lipps
Subject: RE: Kathy Patrick PSA and Settlement Agreement - Privileged and Confidential

In following up on the conversation I just had with Dan Clark and Noah Ornstein on the phone, and with no pride of authorship, I think Section 5.02 should be revised to read as listed below. I've got brackets here for two spots were we need to plug in actual numbers. I also think we should walk through the formula with some hypothetical numbers and see if this is working in the way you want the ratchet to work. Please feel free to call me if you want to discuss at (614) 668-1064. Attorney fee adjuster will follow in a separate email.

Section 5.02 Reductions to Allowed Claim. The amount of the Allowed Claim shall be reduced by (A) an amount equal to the product of [total $ of outstanding debt wrapped by the monolines] times the percentage of the total debt outstanding for the trusts wrapped by the monolines which reject the deal times [Percentage Allowed Claim is of total debt currently outstanding] plus (B) an amount equal to (i) the sum of the Allocated Allowed Claims attributable to each Trust identified on Exhibit C that fail to accept the offer to settle described in Section 5.01 within the applicable time period times times (ii) 1 minus the percentage of total debt outstanding for trusts wrapped by monolines which reject the deal.

This is assuming that Kathy's exhibit gives an actual allocation and not just refers to having some valuation mechanism.

A. 59

Outlook E-mail

From: Levitt, Jamie A.
Sent: 5/11/2012 1:16:06 AM
To: 'Devine, Timothy'
Cc: Lee, Gary S.; Ornstein, Noah
Subject: RE: turning drafts

PRIVILEGED AND CONFIDENTIAL -- SUBJECT TO ATTORNEY-CLIENT PRIVILEGE - FOR SETTLEMENT PURPOSES ONLY

Tim,

I think Noah has passed along to you the mark up we sent to Ropes of the KP settlement agreement. We are heavily negotiating, but also making progress, and have added the ratchet on the Allowed Claim as well as the Fees sharing provisions, which I'm sure we'll hear much about from them tomorrow.

We also spent a considerable amount of time today talking first with Talcott Franklin and then on two occasions with his gaggle of lawyers. It is pretty clear they are coming to understand the economics and advantages of the proposal and want in. A light bulb also went on for them as to why the trustees might comply here -- because the event of default triggers a prudent investor standard and so there is exposure to the trust in ignoring an instruction. Talcott's group says they are actively collecting certificates of ownership from their clients on the standard trustee form and are updating their schedule of holdings. Their comments on the settlement agreement were pretty minimal, and those we didn't like they backed away from pretty quickly. But their big issue now is that they want to get the same terms and deal Kathy is getting and don't want to be treated less favorably. We told them that Kathy got out of the gate first and we are farther along on negotiations with her but can share fee and other provisions with them once they are settled. Although Talcott didn't drive as hard a bargain, in the end we probably need to give him what Kathy ends up getting in the negotiations.

With all this in mind, we would like to pick your brain tomorrow on how you best see fit to maneuver the Kathy/Talcott discussions and intrigue. Talcott seems to want to reach out to Kathy and join forces. We want to be sure that you have discussed this with Kathy – and recall that you said she was in favor of this too (that the dilution is minimal compared to the value of having another 9.5B on board) – but need to confirm that with you. There may be more than one way to combine these forces and handle the negotiations, so we should discuss. We are set to talk to KP's lawyers at 12:30pm tomorrow – and will talk to Talcott's lawyers once we get and review their comments on the PSA.

Thanks.

Jamie

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: May 10, 2012 8:33 PM
To: Levitt, Jamie A.; Ornstein, Noah
Subject: turning drafts

Jamie and Noah:

Will you please update me as to whether our side has turned the draft settlement agreement and PSA back over to Ropes/KP?

If so, pls fwd to me.

Also, have we sent them a Plan Term Sheet?

If so, pls fwd to me.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
PENGAD 800-631-6989
9019-153
11/19/12

A. 60

From: Ornstein, Noah <nornstein@kirkland.com>
Sent: Friday, May 11, 2012 8:15 AM
To: Martin, D. Ross <Ross.Martin@ropesgray.com>
Subject: Re: One concept for PSA not captured yet (I don't believe) - subject to FRE 408

We'll talk. It is a baseline requirement

----- Original Message -----
From: Martin, D. Ross [mailto:Ross.Martin@ropesgray.com]
Sent: Friday, May 11, 2012 07:09 AM
To: Ornstein, Noah
Subject: Re: One concept for PSA not captured yet (I don't believe) - subject to FRE 408

I did. I don't know whether we agree with it.

-- Ross

On May 11, 2012, at 8:08 AM, "Ornstein, Noah" <nornstein@kirkland.com<mailto:nornstein@kirkland.com>> wrote:

Ross, pls confirm you received this.

From: Ornstein, Noah
Sent: Thursday, May 10, 2012 06:03 PM
To: Martin, D. Ross <Ross.Martin@ropesgray.com<mailto:Ross.Martin@ropesgray.com>>
Cc: Levitt, Jamie A. <JLevitt@mofo.com<mailto:JLevitt@mofo.com>>
Subject: One concept for PSA not captured yet (I don't believe)

If, in the case of a section 363, the Debtors seek approval of releases of Ally via a 9019, Consenting Claimants have to support (presuming their settlement is in place). Presuming you have no issue with that concept, kindly have your team work it into the draft.

Noah J. Ornstein
Kirkland & Ellis LLP
300 North LaSalle | Chicago, IL 60654
p. (312) 862-2122 | f. (312) 862-2200

D. Ross Martin

ROPES & GRAY LLP
T(BOS) +1 617 951 7266 | T(NY) +1 212 596 9177 | M +1 617 872 1574 | F +1 617 235 0454
Prudential Tower, 800 Boylston Street
Boston, MA 02199-3600
ross.martin@ropesgray.com<mailto:ross.martin@ropesgray.com>
www.ropesgray.com<http://www.ropesgray.com>

A. 61

Outlook E-mail

From: Devine, Timothy
Sent: 5/12/2012 4:29:50 PM
To: Lee, Gary S.; Levitt, Jamie A.; Ornstein, Noah; Ruckdaschel, John
Cc: Cieri, Richard M.; Schrock, Ray C.
Subject: RE: Has Talcott Franklin signed on without reservation to support the Plan, including broad third party release of all claims against Ally etc including security claims?

Got it.

Had call with KP.

We told her PSA support – whole hog – is drop dead.

Her aversion to lock up is, she said, drop dead for her clients.

What are our best fall-backs on the lockup?

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Saturday, May 12, 2012 4:26 PM
To: Devine, Timothy; Levitt, Jamie A.; Ornstein, Noah; Ruckdaschel, John
Subject: RE: Has Talcott Franklin signed on without reservation to support the Plan, including broad third party release of all claims against Ally etc including security claims?

Its complicated - they are trying to preserve lots of other claims, their clients dont seem to have brought equity claims. I dont even know whether their clients are 40 act advisors (anyone?). we sent Talcott the agreement the way we wanted it and told him he couldn't really negotiate it - but if KP doesnt sign I dont know if he will.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Saturday, May 12, 2012 4:22 PM
To: Levitt, Jamie A.; Lee, Gary S.; Ornstein, Noah; Ruckdaschel, John
Subject: Has Talcott Franklin signed on without reservation to support the Plan, including broad third party release of all claims against Ally etc including security claims?

EXHIBIT
PENGAD 800-631-6989
9019-154
11/19/12

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 62

From: Solomon, William Legal
Sent: Wednesday, October 26, 2011 7:48 PM
To: Carpenter, Michael; Yastine, Barbara; Marano, Tom; Brown, Jeff; Pinkston, Corey; Mackey, Jim; Devine, Timothy; Hamzehpour, Tammy
Cc: Hagens, David; Ruckdaschel, John
Subject: PLS Claimant -- PRIVILEGED AND CONFIDENTIAL

Attached please find the response from attorney Kathy Patrick in reply to my reply to her original letter. The issues are beginning to crystallize. I do not intend answering.

EXHIBIT
PENGAD 800-631-6989
9019-51
11/12/12

GIBBS & BRUNS LLP

Kathy D. Patrick
kpatrick@gibbsbruns.com
713.751.5253

October 25, 2011

Via Federal Express

William B. Solomon, Jr., Esq.
General Counsel
Ally Financial Inc.
200 Renaissance Center
Detroit, Michigan 48265

Dear Mr. Solomon:

I am in receipt of your October 21st, 2011 letter. As you know, Ally Financial Inc. ("Ally") is the parent and 100% owner of GMAC Mortgage Group, Inc. ("GMACM"). Residential Capital, LLC ("ResCap"), in turn, is a wholly-owned subsidiary of GMACM. ResCap is the direct or indirect parent of the parties to the pooling and servicing agreements at issue, including GMAC Mortgage and Residential Funding, to which you referred in your letter.

In response to your suggestion, I will forward my October 17th, 2011 letter to Ms. Hamzehpour, who appears to be the General Counsel of Ally's Mortgage Operations, as well as the General Counsel of ResCap.

Our clients do not, however, accept your assertion that Ally Financial Inc. does not ultimately bear the liability associated with the repurchase and servicing claims described in my October 17th letter. Ally does.

Very truly yours,

Kathy Patrick

A. 63

EXHIBIT
PENGAD 800-631-6989
9019-158
11/19/12

Outlook E-mail

Confidential

From: Kathy D. Patrick
Sent: 5/13/2012 7:03:15 PM
To: Levitt, Jamie A.; Scott A. Humphries
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com; Princi, Anthony
Subject: RE: Settlement documents -- confidential

Sure. Use our dial in: 1 866 228 9900, passcode 763234. Suggest you under-react to the red and focus on the substance of it, as this is what we discussed this morning: a) the monolines have rights as subrogated certificateholders when they pay claims, those arise under the Trust agreements (which contain that language) so all you need to do for that is to say the Trusts; b) separately, the Credit Enhancers have separate indemnity claims, and those arise under separate agreements. This is exactly what we discussed on the earlier call and it corrects an error in your draft which, otherwise, would have put the indemnity claims in the 8.7billion. Simple enough to explain and not a reason for this to go sideways. KP

From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sun 5/13/2012 5:59 PM
To: Scott A. Humphries; Kathy D. Patrick
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com; Princi, Anthony
Subject: RE: Settlement documents -- confidential

Kathy -- we need a call at 7:30. You took out all reference to the monolines in 5.01 (and the whereas), which as we discussed is in neither of our interest.

Call in 800-650-4949, code 4688203.

-----Original Message-----
From: Scott A. Humphries [mailto:SHumphries@gibbsbruns.com]
Sent: May 13, 2012 6:54 PM
To: Scott A. Humphries; Princi, Anthony; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Belay that. These correct one reference. Can you make the nits re the holdings that you sent in a couple of emails, please?

-----Original Message-----
From: Scott A. Humphries
Sent: Sunday, May 13, 2012 5:52 PM
To: 'Princi, Anthony'; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Here is the Settlement Agreement. PSA to follow momentarily.

-----Original Message-----
From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 5:49 PM
To: Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Scott A. Humphries; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Kathy, we received the exhibits and they appear to be in order. We will therefore shortly be sending you final, execution versions of both the SA and PSA for your and your clients' signatures. As we are severely under the press of time we would ask that once you receive them you please promptly forward us your executed signature pages. We will hold the signature pages and not release them until we forward you our client's and Ally's signature pages. Thanks for your cooperation.

-----Original Message-----
From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Sunday, May 13, 2012 6:14 PM
To: Princi, Anthony; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Scott A. Humphries; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: Re: Settlement documents -- confidential

Ropes is running the blackline on that now--I think we addressed it appropriately, but am happy to discuss

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

----- Original Message -----
From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 05:00 PM
To: Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S. ; Scott A. Humphries; Clark, Daniel E.
; Newton, James A. ;
nornstein@kirkland.com ; Timothy.Devine@ally.com
; Ross.Martin@ropesgray.com
; Keith.Wofford@ropesgray.com

Subject: RE: Settlement documents -- confidential

Thanks Kathy. As it turned out, my rushing like a madman led me to screw up the wording below so I've asked Noah at K&E to send corrected language (it will remain minor changes so I don't expect that you'll have a problem with it).

More importantly, we need to get your exhibits relating to allocation methodology and list of investor holdings by cusips -- can you have somebody forward that to us ASAP?

-----Original Message-----
From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Sunday, May 13, 2012 5:57 PM
To: Princi, Anthony; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Scott A. Humphries; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: Re: Settlement documents -- confidential

This is fine.

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

----- Original Message -----
From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 04:47 PM
To: Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S. ; Scott A. Humphries; Clark, Daniel E.
; Newton, James A. ;
nornstein@kirkland.com ; Timothy.Devine@ally.com
; Ross.Martin@ropesgray.com
; Wofford, Keith H.

Subject: RE: Settlement documents -- confidential

Kathy, we have made a couple of minor word changes (see below in caps) and with that ResCap and Ally are both good with this language. We will revise the agreement accordingly and send you a final execution version shortly.

-----Original Message-----
From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Sunday, May 13, 2012 5:04 PM
To: Princi, Anthony; Levitt, Jamie A.
Cc: Lee, Gary S.; Scott A. Humphries; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Wofford, Keith H.
Subject: RE: Settlement documents -- confidential

Here's the holdings section. You chunked a bunch of extraneous stuff into the rest of the agreement, but here's the holdings language.

Section 1.01 Purchasers and Assigns. The Consenting Claimants currently and collectively hold Securities representing in aggregate 25% of the voting rights in one or more classes of Securities of not less than 290 of the Covered Trusts. The Consenting Claimants, collectively, shall maintain holdings aggregating 25% of the voting rights in one or more classes of Securities of not less than 235 of the Covered Trusts (Requisite Holdings) until the earliest of: (i) confirmation of the Plan, (ii) December 31, 2012, (iii) a Consenting Claimant Termination Event, (iv) a Debtor Termination Event, or (v) an Ally Termination Event; provided, however, that any reduction in Requisite Holdings caused by: a) sales by Maiden Lane I and Maiden Lane III; or b) exclusion of one or more trusts due to the exercise of Voting Rights by a Credit Enhancer, shall not be considered in determining whether the Requisite Holdings threshold has been met. If the Requisite Holdings are not maintained, EACH OF Ally and ResCap shall have the right to terminate the agreement, but shall not terminate the agreement before EACH OF ALLY AND RESCAP HAVE conferrED in good faith with the Consenting Claimants concerning whether termination is warranted. For the avoidance of doubt, other than as set forth above, this Agreement shall not restrict the right of any Consenting Claimant to sell or exchange any Securities issued by a Trust free and clear of any encumbrance. The Consenting Claimants will not sell OR PURCHASE any of the Securities for the purpose of avoiding their obligations under this Agreement, and each Consenting Claimant commits to maintain at least one position in one of the Securities in one of the Trusts until the earliest of the dates set forth above. If the Debtor or Ally reach a similar agreement to this with another bondholder group, the Debtor and Ally will include a substantially similar proportionate holdings requirement in that agreement as contained herein.

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sun 5/13/2012 3:48 PM
To: Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Scott A. Humphries; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com
Subject: RE: Settlement documents -- confidential

Thanks Kathy.

Scott, to underscore Jamie's message, we truly are running out of time so we need to see the transfer language ASAP so that we can finalize the agreements and have them signed. Thanks.

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]

Sent: Sunday, May 13, 2012 4:49 PM
To: Levitt, Jamie A.; Kathy D. Patrick
Cc: Princi, Anthony; Lee, Gary S.; Scott A. Humphries
Subject: Re: Settlement documents -- confidential

Confidential

Scott -

Can we get them the docs?

Thanks,

KP

Kathy D. Patrick
Gibbs & Bruns, L.L.P.

From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sunday, May 13, 2012 03:43 PM
To: Kathy D. Patrick
Cc: Princi, Anthony ; Lee, Gary S.
Subject: Fw: Settlement documents -- confidential

Kathy -- can you have someone send us the documents. We really need to review asap -- time is even shorter. Thanks.

From: Levitt, Jamie A.
To: 'Ross.Martin@ropesgray.com' ; 'Kathy D. Patrick' ; 'Scott A. Humphries'

Cc: 'Ornstein, Noah' ; Princi, Anthony; Lee, Gary S.; 'Devine, Timothy' ; 'rcieri@kirkland.com'
Sent: Sun May 13 14:02:28 2012
Subject: Settlement documents -- confidential

Kathy and Scott,

Attached are the settlement documents redlined against the documents Scott sent last night. I thought you might want to see the changes we think exist from last night and this morning. Noah will separately send a set of redlines against what we sent last night in case you prefer to review that way. Please let us know if you have changes on the monoline references as Gary discussed. We have not addressed the sale/transfer point because that language is being revised by you and I understand you will be sending the allocation exhibit including the bypass language you propose.

Our goal needs to be to get your additions and thoughts and get these documents finalized asap.

Thanks.

Jamie

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another party any transaction or matter addressed herein.

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A. 64

Outlook E-mail

EXHIBIT
PENGAD 800-631-6989
9019 159
11/19/12

From: Levitt, Jamie A.
Sent: 5/13/2012 7:34:16 PM
To: 'nornstein@kirkland.com'; Princi, Anthony
Cc: Lee, Gary S.
Subject: Re: Settlement documents -- confidential

I'll call and explain. It's all good. I just explained to Tim.

From: Ornstein, Noah <nornstein@kirkland.com>
To: Princi, Anthony
Cc: Lee, Gary S.; Levitt, Jamie A.
Sent: Sun May 13 19:33:17 2012
Subject: RE: Settlement documents -- confidential

To be clear, does that mean the indemnity claims are or are not covered by the $8.7 billion?

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 7:31 PM
To: Ornstein, Noah
Cc: Lee, Gary S.; Levitt, Jamie A.
Subject: RE: Settlement documents -- confidential

It didn't work from a mechanical vantage point under the Governing Agreements (she actually knows how this stuff works a lot better than we do I'm sorry to admit).

From: Ornstein, Noah [mailto:nornstein@kirkland.com]
Sent: Sunday, May 13, 2012 7:29 PM
To: Princi, Anthony
Subject: RE: Settlement documents -- confidential

Didn't she ask to stip out indemnity claims. I understood those were to be in the bucket. Is that not the deal?

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 7:26 PM
To: Devine, Timothy; Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; Ornstein, Noah; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Don't believe the terms of the agreements allow for that but if K&E disagrees please let us know ASAP.

We spoke to Kathy and resolved the issues and are going to be circulating final, execution versions of the agreements soon.

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 13, 2012 7:09 PM
To: Princi, Anthony; Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

If there is any discussion about the total $ for allowed claims arising out of these issuances – wrapped, unwrapped, monoline, trust, whatever (excepting securities law claims) – going over $8.7 billion then we have no deal. Ally did not, cannot and will not approve it.

I am sure I misunderstood the notes below.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 7:05 PM
To: Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Devine, Timothy; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Gary is calling Kathy to deal with all this.

From: Scott A. Humphries [mailto:SHumphries@gibbsbruns.com]
Sent: Sunday, May 13, 2012 7:05 PM
To: Scott A. Humphries; Princi, Anthony; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com

Subject: RE: Settlement documents -- confidential

<< File: 30507447-v11-Revised Plan Support Agreement (RG 513 draft).docx >> << File: Change-Pro Redline - 30507447-v10-Revised Plan Support Agreement (MoFo 513 draft) and 30507447-v11-Revised Plan Support Agreement (RG 513 draft).pdf >>

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A. 65

From: Levitt, Jamie A.
Sent: 5/13/2012 5:45:58 PM
To: 'Ornstein, Noah'; 'Timothy.Devine@ally.com'
Cc: Lee, Gary S.; Princi, Anthony; Clark, Daniel E.
Subject: FW: Confidential Draft -- For Settlement Purposes Only
Attachments KP Settlement 5-13-12 - 3[1].doc

Tim -- we are almost across the finish line with Talcott. Please confirm you are fine with his small changes and we will put in the transfer language from the KP agreement once everyone signs off on it. Two things I wanted to be sure everyone is aware of:

1. Tal is going to give an Exhibit with list of holders now, but will supplement it on a rolling basis as he recruits more signatories. We are going to draft language that says he can do this rolling basis addition until 45 day offer period ends (to correspond with 5.01). Then we'll base his sale/transfer rep off of that total of holders.

2. Tal's clients instructed the trustee a month ago to sue Ally -- he confirmed they will change that instruction as part of this agreement. We thought it would be best not to have that information as a whereas or otherwise in the agreement because you don't want that public.

Please let me know if we have your ok on all this.

Jamie

From: Talcott J. Franklin [mailto:Tal@talcottfranklin.com]
Sent: May 13, 2012 5:22 PM
To: Levitt, Jamie A.; Ornstein, Noah
Subject: Re: Confidential Draft -- For Settlement Purposes Only

Actually, the Whereas works fine so I added it back in unchanged. You'll handle the "search and replace" Gibbs and Bruns and Ropes and Gray with Talcott Franklin P.C.; Miller, Johnson, Snell & Cummiskey, P.L.C.; and Carter Ledyard & Milburn LLP when you get the final document. Thanks!

From: <Levitt>, "Jamie A." <JLevitt@mofo.com>
To: Talcott Franklin <tal@talcottfranklin.com>
Subject: Re: Confidential Draft -- For Settlement Purposes Only

Can I call you in 2 mins just so I understand -- what number to call?

From: Talcott J. Franklin <Tal@talcottfranklin.com>
To: Newton, James A.
Cc: Levitt, Jamie A.; Ornstein, Noah <nornstein@kirkland.com>; Clark, Daniel E.
Sent: Sun May 13 16:51:08 2012
Subject: Re: Confidential Draft -- For Settlement Purposes Only

Here is the revised language.

From: <Newton>, "James A." <JNewton@mofo.com>
To: Talcott Franklin <tal@talcottfranklin.com>
Cc: "Levitt, Jamie A." <JLevitt@mofo.com>, "Ornstein, Noah" <nornstein@kirkland.com>, "Clark, Daniel E." <DClark@mofo.com>
Subject: RE: Confidential Draft -- For Settlement Purposes Only

Tal,

Jamie requested that I forward you a copy of the most recent draft of the G&B documents. They are attached. These documents are subject to a few additional changes, particularly in the transfer language:

-James

From: Talcott J. Franklin <Tal@talcottfranklin.com>
To: Levitt, Jamie A.; Jerry Phelps <Jerry@talcottfranklin.com>
Cc: sarbt@millerjohnson.com <sarbt@millerjohnson.com>; Gadsden, James <gadsden@clm.com>; wolfordr@millerjohnson.com <wolfordr@millerjohnson.com>; Paul Snyder <paul@talcottfranklin.com>; Derek Witte <derek@talcottfranklin.com>; Lee, Gary S.; Princi, Anthony; rcieri@kirkland.com <rcieri@kirkland.com>; nornstein@kirkland.com <nornstein@kirkland.com>; Devine, Timothy <Timothy.Devine@ally.com>
Sent: Sun May 13 15:08:19 2012
Subject: Re: Confidential Draft -- For Settlement Purposes Only

Jamie:
Just spoke with Tim — he says we need to get the deal done now. I'm good with Noah's addition to 7.05 — good work Noah — so we're over that.

I need the latest documents for G&B, apparently there have been some changes, and I need to push it out to clients. I'm working on a press release that I will provide to Ally/RFC and they can release it whenever — we will not release it. Tim agreed to a slight modification to the representation that we have 25% in order to get us on board. I'll give you that language when I see the new documents.

Tim understands we'll do everything we can to get signatures tonight, but given the holiday and that it is a Sunday, he's understanding if we cannot. We'll push forward on Monday, etc. with additional clients and help create momentum for the settlement throughout the week. I've already discussed in general terms with DB's outside counsel how we'd do the instruction — we weren't able to specifically talk about RFC because of the NDA, but we've done it before on many other deals, so I don't see this as a problem. Thanks!

Tal

From: <Levitt>, "Jamie A." <JLevitt@mofo.com>
To: Talcott Franklin <tal@talcottfranklin.com>, Jerry Phelps <Jerry@talcottfranklin.com>
Cc: "sarbt@millerjohnson.com" <sarbt@millerjohnson.com>, "Gadsden, James" <gadsden@clm.com>, "wolfordr@millerjohnson.com" <wolfordr@millerjohnson.com>, Paul Snyder <paul@talcottfranklin.com>, Derek Witte <derek@talcottfranklin.com>, "Lee, Gary S." <GLee@mofo.com>, "Princi, Anthony" <APrinci@mofo.com>, "rcieri@kirkland.com" <rcieri@kirkland.com>, "nornstein@kirkland.com" <nornstein@kirkland.com>
Subject: RE: Confidential Draft -- For Settlement Purposes Only

Tal -- confidentially, attached is the AFI-ResCap settlement agreement.

From: Talcott J. Franklin [mailto:Tal@talcottfranklin.com]
Sent: Saturday, May 12, 2012 6:36 AM
To: Levitt, Jamie A.; Jerry Phelps
Cc: sarbt@millerjohnson.com; Gadsden, James; wolfordr@millerjohnson.com; Paul Snyder; Derek Witte; Lee, Gary S.; Princi, Anthony; rcieri@kirkland.com; nornstein@kirkland.com
Subject: Re: Confidential Draft -- For Settlement Purposes Only
Importance: High

May we please have exhibit B?

From: <Levitt>, "Jamie A." <JLevitt@mofo.com>
To: Jerry Phelps <Jerry@talcottfranklin.com>, Talcott Franklin <tal@talcottfranklin.com>
Cc: "sarbt@millerjohnson.com" <sarbt@millerjohnson.com>, "Gadsden, James"

<gadsden@clm.com>, "wolfordr@millerjohnson.com" <wolfordr@millerjohnson.com>, Paul Snyder <paul@talcottfranklin.com>, Derek Witte <derek@talcottfranklin.com>, "Lee, Gary S." <GLee@mofo.com>, "Princi, Anthony" <APrinci@mofo.com>, "rcieri@kirkland.com" <rcieri@kirkland.com>, "nornstein@kirkland.com" <nornstein@kirkland.com>
Subject: Confidential Draft -- For Settlement Purposes Only

CONFIDENTIAL DRAFT -- FOR SETTLEMENT PURPOSES ONLY

Tal and Jerry,

As has been discussed, attached is a working-draft of the settlement agreement we are negotiating with Kathy Patrick's groupthat, when final, will reflect the deal we would agree to enter with your group. I apologize for the lateness of the hour, but understand you hoped to see this for your morning meeting. We provide the draft to that end, with all the caveats that it is still subject to review and negotiation on our side.

Please let us know if you would like to discuss. Although we do not have time left to negotiate the terms with you, we are happy to explain and discuss them.

Thank you.

Jamie

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RMBS TRUST SETTLEMENT AGREEMENT

This RMBS Trust Settlement Agreement is entered into as of May 13, 2012, by and between Residential Capital, LLC and its direct and indirect subsidiaries (collectively, "ResCap" or the "Debtors"), on the one hand, and the Institutional Investors (as defined below), on the other hand (the "Settlement Agreement"). Each of ResCap and the Institutional Investors may be referred to herein as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, certain ResCap entities were the Seller, Depositor, Servicer and/or Master Servicer for the securitizations identified on the attached Exhibit A (the "Trusts");

WHEREAS, certain ResCap entities are parties to certain applicable Pooling and Servicing Agreements, Assignment and Assumption Agreements, Indentures, Mortgage Loan Purchase Agreements and/or other agreements governing the Trusts (the "Governing Agreements"), and certain ResCap entities have, at times, acted as Master Servicer and/or Servicer for the Trusts pursuant to certain of the Governing Agreements;

WHEREAS, certain third party guarantor or financial guaranty providers (the "Credit Enhancers") are parties to certain applicable Insurance Agreements, Insurance Policies, and/or other agreements relating to the Trusts (the "Credit Enhancer Agreements");

WHEREAS, pursuant to the Governing Agreements, certain ResCap entities have contributed or sold loans into the Trusts (the "Mortgage Loans");

WHEREAS, the Institutional Investors have alleged that certain loans held by the Trusts were originally contributed in breach of representations and warranties contained in the Governing Agreements, allowing the Investors in such Trusts to seek to compel the trustee or indenture trustee (each, a "Trustee") to take certain actions with respect to those loans, and further have asserted past and continuing covenant breaches and defaults by various ResCap entities under the Governing Agreements;

WHEREAS, the Institutional Investors have indicated their intent under the Governing Agreements for each Trust in which the Institutional Investors collectively hold or are authorized investment managers for holders of at least 25% of a particular tranche of the Securities (as defined below) held by such Trust either to seek action by the Trustee for such Trust or to pursue claims, including but not limited to claims to compel ResCap to cure the alleged breaches of representations and warranties, and ResCap disputes such claims and allegations of breach and waives no rights, and preserves all of its defenses, with respect to such allegations and putative cure requirements;

WHEREAS, the Institutional Investors are jointly represented by Gibbs & Bruns, LLP ("Gibbs & Bruns") and Ropes & Gray LLP ("Ropes & Gray") and have, through counsel,

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engaged in arm's length settlement negotiations with ResCap that included the exchange of confidential materials;

WHEREAS, ResCap contemplates filing petitions for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

WHEREAS, ResCap and the Institutional Investors have reached agreement on a plan support agreement (the "Plan Support Agreement") pursuant to which the Institutional Investors will support the confirmation of a chapter 11 plan for ResCap;

WHEREAS, Ally Financial Inc. and its subsidiaries and affiliates, other than ResCap (collectively, "Ally") have agreed to a settlement with ResCap in return for releases of any alleged claims held by ResCap and certain third parties against Ally;

WHEREAS, ResCap and the Institutional Investors have reached agreement concerning all claims under the Governing Agreements; and

WHEREAS, the Parties therefore enter into this Settlement Agreement to set forth their mutual understandings and agreements for terms for resolving the disputes regarding the Governing Agreements.

AGREEMENT

NOW, THEREFORE, after good faith, arm's length negotiations without collusion, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following terms:

ARTICLE I. DEFINITIONS.

As used in this Settlement Agreement, in addition to the terms otherwise defined herein, the following terms shall have the meanings set forth below (the definitions to be applicable to both the singular and the plural forms of each term defined if both forms of such term are used in this Settlement Agreement). Any capitalized terms not defined in this Settlement Agreement shall have the definition given to them in the Governing Agreements.

Section 1.01 "Bankruptcy Code" shall mean title 11 of the United States Code;

Section 1.02 "Direction" shall mean the direction by the Institutional Investors, to the extent permitted by the Governing Agreements, directing any Trustee to take or refrain from taking any action; *provided*, *however*, that in no event shall the Institutional Investors be required to provide a Trustee with any security or indemnity for action or inaction taken at the direction of the Institutional Investors and the Institutional Investors shall not be required to directly or indirectly incur any costs, fees, or expenses to compel any action or inaction by a Trustee, except that the Institutional Investors shall continue to retain contingency counsel;

Section 1.03 "Effective Date" shall have the meaning ascribed in Section 2.01;

Deleted: Section 2.01

Section 1.04 "Governmental Authority" shall mean any United States or foreign government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to the foregoing, or any other authority, agency, department, board, commission, or instrumentality of the United States, any State of the United States or any political subdivision thereof or any foreign jurisdiction, and any court, tribunal, or arbitrator(s) of competent jurisdiction, and any United States or foreign governmental or non-governmental self-regulatory organization, agency, or authority (including the New York Stock Exchange, Nasdaq, and the Financial Industry Regulatory Authority);

Section 1.05 "Institutional Investors" shall mean the authorized investment managers and Investors identified in the attached signature pages;

Section 1.06 "Investors" shall mean all certificateholders, bondholders and noteholders in the Trusts, and their successors in interest, assigns, pledgees, and/or transferees;

Section 1.07 "Person" shall mean any individual, corporation, company, partnership, limited liability company, joint venture, association, trust, or other entity, including a Governmental Authority;

Section 1.08 "Petition Date" means the date on which ResCap files petitions under chapter 11 of the Bankruptcy Code;

Section 1.09 "Plan" has the meaning ascribed to it in the Plan Support Agreement; and

Section 1.10 "Restructuring" shall have the meaning ascribed to it in the Plan Support Agreement.

ARTICLE II. SETTLEMENT PROCESS.

Section 2.01 Effective Date. This Settlement Agreement shall be effective immediately except as to the granting of allowed claims to the Trusts and the releases set forth herein. The claims allowance and releases shall only be effective, with respect to Trusts that timely accept the compromise, on the date on which the Bankruptcy Court enters an order approving the settlement contemplated hereby (the "Effective Date").

Section 2.02 Bankruptcy Court Approval. The Debtors shall (a) orally present this Settlement Agreement in Court on the Petition Date, including the agreed amount of the Allowed Claim (as defined below), (b) file a motion in the Bankruptcy Court as soon as practicable, but in

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no event later than fourteen (14) days after the Petition Date, seeking authority to perform under this Settlement Agreement and for approval of this Settlement Agreement and the compromise contained herein, and (c) obtain an order from the Bankruptcy Court approving such motion by the earlier of (i) 60 days after the Petition Date and (ii) the date on which the Disclosure Statement is approved by the Bankruptcy Court. The Trustee for each Trust may accept the offer of a compromise contemplated by this Settlement Agreement in writing pursuant to a form of acceptance to be included in the proposed order for approval of this Settlement Agreement to be submitted to the Bankruptcy Court.

Section 2.03 Standing. The Debtors agree that the Institutional Investors are parties in interest in the chapter 11 cases of ResCap for the sole and exclusive purposes of enforcing rights and complying with obligations under this Agreement and the Plan Support Agreement.

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ARTICLE III. REPRESENTATIONS AND WARRANTIES.

Section 3.01 Holdings and Authority. Lead counsel to the Institutional Investors, Gibbs & Bruns, has represented to ResCap that its clients have or will seek to obtain in combination with others, aggregate holdings of securities of greater than 25% of the voting rights in one or more classes of the securities, certificates or other instruments backed by the mortgages held by each of the Covered Trusts (as defined in the Plan Support Agreement). Each Institutional Investor represents that (i) it has the authority to take the actions contemplated by this Settlement Agreement, to the extent that it has the authority with respect to any other entities, account holders, or accounts for which or on behalf of which it is signing this Settlement Agreement, and (ii) it holds, or is the authorized investment manager for the holders of, the securities listed in the schedule attached to the Plan Support Agreement as Exhibit G thereto, in the respective amounts set forth therein by CUSIP number, that such schedule was accurate as of the date set forth for the respective institution, and that since the date set forth for the Institutional Investor, the Institutional Investor has not, in the aggregate, materially decreased the Institutional Investor's holdings in the Securities. The Parties agree that the aggregate amounts of Securities collectively held by the Institutional Investors for each Trust may be disclosed publicly, but that the individual holdings shall remain confidential, subject to review only by ResCap, Ally, the Bankruptcy Court, the Office of the United States Trustee, and any official committee of creditors that may be appointed in the Chapter 11 Cases.

Deleted: the Institutional Investors have or advise clients who have

Section 3.02 Purchasers and Assigns. The Consenting Claimants collectively shall hold or obtain instruction to the Trustee from, including in the capacity, as applicable, of an authorized investment manager, Securities representing in aggregate 25% of the voting rights in one or more classes of Securities of each of the Covered Trusts until the earliest of: (i) confirmation of the Plan, (ii) December 31, 2012, (iii) a Consenting Claimant Termination Event, (iv) a Debtor Termination Event, or (v) an Ally Termination Event. For the avoidance of doubt, other than as set forth above, this Agreement shall not restrict the right of any Consenting Claimant to sell or exchange any Securities issued by a Trust free and clear of any encumbrance.

Deleted: ; provided, however, that Maiden Lane I and Maiden Lane III may liquidate the entirety of their holdings if required by an action of the Federal Reserve Board of Governors; provided, further, however, that Maiden Lane I and Maiden Lane III each represent to the best of its knowledge that the Federal Reserve Board of Governors has taken and anticipates taking no action to require it to liquidate any of its holdings

ARTICLE IV. DIRECTION TO TRUSTEES AND INDENTURE TRUSTEES.

Section 4.01 Direction to Trustees and Indenture Trustees. The relevant Institutional Investors for each Trust shall, by the time of the filing of a motion to approve this Settlement Agreement, provide the relevant Trustee with Direction to accept the settlement and compromises set forth herein. The Institutional Investors hereby agree to confer in good faith with ResCap as to any further or other Direction that may be reasonably necessary to effectuate the settlement contemplated herein, including those actions listed in Section 3.1 of the Plan Support Agreement, filing motions and pleadings with the Bankruptcy Court and making statements in open court in support of the Restructuring.

Section 4.02 No Inconsistent Directions. Except for providing instructions in accordance with Section 4.01, the Institutional Investors agree that (i) between the date hereof and the Effective Date, with respect to the Securities on the Holdings Schedule, they will not,

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individually or collectively, direct, vote for, or take any other action that they may have the right or the option to take under the Governing Agreements or to join with any other holders or the trustee of any note, bond or other security issued by the Trusts, to cause the Trustees to enforce (or seek derivatively to enforce) any representations and warranties regarding the Mortgage Loans or the servicing of the Mortgage Loans, and (ii) to the extent that any of the Institutional Investors have already taken any such action, the applicable Institutional Investor will promptly rescind or terminate such action. Nothing in the foregoing shall restrict the ability of the Institutional Investors to demand that any other Investor who seeks to direct the Trustee for a Trust post any indemnity or bond required by the Governing Agreements for the applicable Trust.

Section 4.03 Amendments to Governing Agreements Regarding Financing of Advances. The Institutional Investors agree to use commercially reasonable efforts (which shall not require the giving of any indemnity or other payment obligation or expenditure of out-of-pocket funds) to negotiate any request by the Debtors or the Trustees for Trusts that are being assumed, and if any Trustee shall require a vote of the certificate or note holders with respect thereto, shall vote in favor of (to the extent agreement is reached) any amendment to the relevant Governing Agreements and related documents requested by the Debtors in order to permit "Advances" (as it or any similar term may be defined in the Governing Agreements) to be financeable and to make such other amendments thereto as may be reasonably requested by the Debtors in accordance with any agreement to acquire all or substantially all of the Debtors' servicing assets pursuant to the Restructuring and the Plan, so long as such changes would not cause material financial detriment to the Trusts, their respective trustees, certificate or note holders, or the Institutional Investors.

ARTICLE V. ALLOWANCE OF CLAIM.

Section 5.01 The Allowed Claim. ResCap hereby makes an irrevocable offer to settle, expiring at 5:00 p.m. prevailing New York time on the date that is forty five (45) days after the Petition Date, with each of the Trusts that timely agrees to the terms of this Settlement Agreement (the "Accepting Trusts"). In consideration for such agreement, ResCap will provide a general unsecured claim of $8,700,000,000 (the "Total Allowed Claim"). For the avoidance of doubt, the Total Allowed Claim shall be shared among (i) any Trusts accepting the offer contained in this Section 5.01, subject to the provisions of this Settlement Agreement, (ii) claims allowed by ResCap which are brought by Credit Enhancers and arise out of the Governing Agreements and/or the Credit Enhancer Agreements, which claims will not include claims for indemnity brought by the Credit Enhancers. Any Trusts accepting the offer contained in this Section 5.01, subject to the provisions of this Settlement Agreement shall be allowed claims in an amount calculated as set forth below (the "Allowed Claim"), but in no case shall the amount of the Allowed Claim exceed $8,700,000,000. The amount of the Allowed Claim shall equal (i) $8,700,000,000, multiplied by (ii) the percentage represented by (a) the total dollar amount of original principal balance for the Accepting Trusts, divided by (b) the total dollar amount of original principal balance for all Trusts.

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Section 5.02 Waiver of Setoff and Recoupment. By accepting the offer to settle contained in Section 5.01, each accepting Trust irrevocably waives any right to setoff and/or recoupment such Trust may have against Ally and ResCap.

Deleted: Section 5.01

ARTICLE VI. ALLOCATION OF ALLOWED CLAIM.

Section 6.01 The Allocation Schedule. The allocation of the amounts of the Allowed Claim as to each Trust (each, an "Allocated Allowed Claim"), is set forth on Exhibit C hereto.

Section 6.02 Legal Fees.

(a) ResCap and the Institutional Investors agree that Gibbs & Bruns and Ropes & Gray shall, on the Effective Date of the Plan, be paid legal fees as follows, as an integrated and nonseverable part of this Settlement Agreement. First, Gibbs & Bruns and Ropes & Gray, as counsel to the Institutional Investors, shall be allocated by ResCap without conveyance to the Trustees the percentages of the Allowed Claim set forth on Exhibit B, without requirement of submitting any form of estate retention or fee application, for their work relating to these cases and the settlement. Second, the Debtors and Institutional Investors may further agree at any time, that the Debtors may pay Gibbs & Bruns and Ropes & Gray in cash, in an amount that Gibbs & Bruns and Ropes & Gray respectively agree is equal to the cash value of their respective portions of the Allowed Claim, and in any such event, no estate retention application, fee application or further order of the Bankruptcy Court shall be required as a condition of the Debtors making such agreed payment. Third, the Debtors agree and the settlement approval order shall provide that the amount of the Allowed Claim payable to Gibbs & Bruns and Ropes & Gray may be reduced to a separate claim stipulation for convenience of the parties.

(b) In the event that, prior to acceptance of this compromise by a Trustee for a Trust other than an original Covered Trust (as defined in the Plan Support Agreement), counsel to Investors in such Trust cause a direction to be given by more than 25% of the holders of a tranche of such Trust to accept this compromise, then the same provisions as contained in Section 6.02(a) shall apply to such counsel, solely as to the amounts allocated to such Trust. Such counsel shall be entitled to a share of the fee for such trust equal to the ratio of (a) 25% minus the percentage of such tranche held by Institutional Investors divided by (b) 25%. Counsel would be required to identify itself and satisfy the Debtors and Institutional Investors as to the holdings of client-investors and that counsel caused such directions.

ARTICLE VII. RELEASES.

Section 7.01 Releases. Except as set forth in Article VIII, as of the Effective Date, with respect to each and every Trust for whom the Trustee accepts the compromise contemplated by this Agreement, the Investors, Trustee, Trust, and any Persons claiming by, through or on behalf of such Trustee (including Institutional Investors claiming derivatively) or such Trust

Deleted: Article VIII

(collectively, the "Releasors"), irrevocably and unconditionally grant a full, final, and complete release, waiver, and discharge of all alleged or actual claims, demands to repurchase, demands to cure, demands to substitute, counterclaims, defenses, rights of setoff, rights of rescission, liens, disputes, liabilities, losses, debts, costs, expenses, obligations, demands, claims for accountings or audits, alleged events of default, damages, rights, and causes of action of any kind or nature whatsoever, whether asserted or unasserted, known or unknown, suspected or unsuspected, fixed or contingent, in contract, tort, or otherwise, secured or unsecured, accrued or unaccrued, whether direct or derivative, arising under law or equity, against ResCap that arise under the Governing Agreements. Such released claims include, but are not limited to, claims arising out of and/or relating to (i) the origination, sale, or delivery of Mortgage Loans to the Trusts, including the representations and warranties made in connection with the origination, sale, or delivery of Mortgage Loans to the Trusts or any alleged obligation of ResCap to repurchase or otherwise compensate the Trusts for any Mortgage Loan on the basis of any representations or warranties or otherwise or failure to cure any alleged breaches of representations and warranties, (ii) the documentation of the Mortgage Loans held by the Trusts including with respect to allegedly defective, incomplete, or non-existent documentation, as well as issues arising out of or relating to recordation, title, assignment, or any other matter relating to legal enforceability of a Mortgage or Mortgage Note, or any alleged failure to provide notice of such defective, incomplete or non-existent documentation, (iii) the servicing of the Mortgage Loans held by the Trusts (including any claim relating to the timing of collection efforts or foreclosure efforts, loss mitigation, transfers to subservicers, advances, servicing advances, or claims that servicing includes an obligation to take any action or provide any notice towards, or with respect to, the possible repurchase of Mortgage Loans by the applicable Master Servicer, Seller, or any other Person), (iv) setoff or recoupment under the Governing Agreements against ResCap, and (v) any loan seller that either sold loans to ResCap or AFI that were sold and transferred to such Trust or sold loans directly to such Trust, in all cases prior to the Petition Date (collectively, all such claims being defined as the "Released Claims"). For the avoidance of doubt, this release does not include individual direct claims for securities fraud or other disclosure-related claims arising from the purchase or sale of Securities.

Section 7.02 Release of Claims Against Investors. Except as set forth in Article VIII, as of the Effective Date, ResCap irrevocably and unconditionally grants to the Investors a full, final, and complete release, waiver, and discharge of all alleged or actual claims from any claim it may have under or arising out of the Governing Agreements. For the avoidance of doubt, nothing in this provision shall affect Ally's rights in any way.

Section 7.03 Agreement Not to Pursue Relief from the Stay. The Institutional Investors agree that neither they nor their successors in interest, assigns, pledges, delegates, affiliates, subsidiaries, and/or transferees, will seek relief from the automatic stay imposed by section 362 of the Bankruptcy Code in order to institute, continue or otherwise prosecute any action relating to the Released Claims; provided, however, nothing contained herein shall preclude the Institutional Investors or their advised clients from seeking any such relief with respect to direct claims for securities fraud or other disclosure-related claims arising from the purchase or sale of Securities. ResCap reserves its rights and defenses therewith.

Section 7.04 Inclusion of Accepting Trustees in Plan Exculpation Provisions. The Trustees of any Trust accepting the offer to settle described in Section 5.01 and their respective counsel shall be entitled to the benefit of any plan exculpation provision, if any, included in the Plan, which exculpation shall be no less favorable than the plan exculpation provisions extended to similarly situated creditors or parties in interest who are parties to any plan support agreement with ResCap.

Deleted: Section 5.01

Section 7.05 Servicing of the Mortgage Loans. Except as provided in Section 8.01, the release and waiver in Article VII includes all claims based in whole or in part on any actions, inactions, or practices of the Master Servicer, Servicer, or Subservicer as to the servicing of the Mortgage Loans held by the Trusts prior to the Petition Date. Provided, the foregoing language is not intended to release any claims against any person other than ResCap and Ally; provided, further, that the applicable Consenting Claimant shall indemnify (i) any direct or indirect subsidiary of ResCap that is not a Debtor and/or (ii) Ally, against any and all harm in connection with any Consenting Claimant pursuing such claim.

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ARTICLE VIII. CLAIMS NOT RELEASED

Section 8.01 Administration of the Mortgage Loans. The releases and waivers in Article VII herein do not include claims that first arise after the Effective Date which are based in whole or in part on any actions, inactions, or practices of the Master Servicer, Servicer, or Subservicer as to the servicing of the Mortgage Loans held by the Trusts in their aggregation and remittance of Mortgage Loan Payments, accounting for principal and interest, and preparation of tax-related information, in connection with the Mortgage Loans and the ministerial operation and administration of the Trusts and the Mortgage Loans held by the Trusts, for which the Master Servicer, Servicer, or Subservicer received servicing fees, unless, as of the date hereof, the Institutional Investors, have or should have knowledge of the actions, inactions, or practices of ResCap in connection with such matters.

Deleted: Article VII

Section 8.02 Financial-Guaranty Provider Rights and Obligations. To the extent that any third party guarantor or financial-guaranty provider with respect to any Trust has rights or obligations independent of the rights or obligations of the Investors, the Trustees, or the Trusts, the releases and waivers in Article VII are not intended to and shall not release such rights.

Deleted: Article VII

Section 8.03 Settlement Agreement Rights. The Parties do not release or waive any rights or claims against each other to enforce the terms of this Settlement Agreement or the Allowed Claim.

Section 8.04 Disclosure Claims. The releases and waivers in Article VII do not include any claims based on improper disclosures under federal or state securities law.

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Section 8.05 Reservation of Rights. Notwithstanding anything in this Settlement Agreement to the contrary, the Institutional Investors have not waived their right to file an objection to a motion of the holders of the ResCap 9 5/8% bonds requesting payment of any interest on account of their ResCap 9 5/8% bond claims that may be due and owing after the Petition Date.

ARTICLE IX. RELEASE OF UNKNOWN CLAIMS.

Each of the Parties acknowledges that it has been advised by its attorneys concerning, and is familiar with, California Civil Code Section 1542 and expressly waives any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to the provisions of the California Civil Code Section 1542, including that provision itself, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The Parties acknowledge that inclusion of the provisions of this Article IX to this Settlement Agreement was a material and separately bargained for element of this Settlement Agreement.

ARTICLE X. OTHER PROVISIONS

Section 10.01 Voluntary Agreement. Each Party acknowledges that it has read all of the terms of this Settlement Agreement, has had an opportunity to consult with counsel of its own choosing or voluntarily waived such right and enters into this Settlement Agreement voluntarily and without duress.

Section 10.02 No Admission of Breach or Wrongdoing. ResCap has denied and continues to deny any breach, fault, liability, or wrongdoing. This denial includes, but is not limited to, breaches of representations and warranties, violations of state or federal securities laws, and other claims sounding in contract or tort in connection with any securitizations, including those for which ResCap was the Seller, Servicer and/or Master Servicer. Neither this Settlement Agreement, whether or not consummated, any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, whether or not consummated, shall be construed as, or deemed to be evidence of, an admission or concession on the part of ResCap with respect to any claim or of any breach, liability, fault, wrongdoing, or damage whatsoever, or with respect to any infirmity in any defense that ResCap has or could have asserted.

Section 10.03 No Admission Regarding Claim Status. ResCap expressly states that in the event this Settlement Agreement is not consummated or is terminated prior to the Effective

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Date, then neither this Settlement Agreement, nor any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, shall be construed as, or deemed to be evidence of, an admission or concession on the part of ResCap that any claims asserted by the Institutional Investors are not contingent, unliquidated or disputed. The Institutional Investors expressly state that in the event this Settlement Agreement is not consummated or is terminated prior to the Effective Date, neither this Settlement Agreement, nor any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, shall be construed as, or deemed to be evidence of, an admission or concession on the part of the Institutional Investors that any claims asserted by the Institutional Investors and Trustees are not limited to the amounts set forth in this Settlement Agreement or are of any particular priority.

Section 10.04 Counterparts. This Settlement Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Settlement Agreement. Delivery of a signature page to this Settlement Agreement by facsimile or other electronic means shall be effective as delivery of the original signature page to this Settlement Agreement.

Section 10.05 Joint Drafting. This Settlement Agreement shall be deemed to have been jointly drafted by the Parties, and in construing and interpreting this Settlement Agreement, no provision shall be construed and interpreted for or against any of the Parties because such provision or any other provision of the Settlement Agreement as a whole is purportedly prepared or requested by such Party.

Section 10.06 Entire Agreement. This document contains the entire agreement between the Parties, and may only be modified, altered, amended, or supplemented in writing signed by the Parties or their duly appointed agents. All prior agreements and understandings between the Parties concerning the subject matter hereof are superseded by the terms of this Settlement Agreement and the Plan Support Agreement.

Section 10.07 Specific Performance. It is understood that money damages are not a sufficient remedy for any breach of this Settlement Agreement, and the Parties shall have the right, in addition to any other rights and remedies contained herein, to seek specific performance, injunctive, or other equitable relief from the Bankruptcy Court as a remedy for any such breach. The Parties hereby agree that specific performance shall be their only remedy for any violation of this Agreement.

Section 10.08 Authority. Each Party represents and warrants that each Person who executes this Settlement Agreement on its behalf is duly authorized to execute this Settlement Agreement on behalf of the respective Party, and that such Party has full knowledge of and has consented to this Settlement Agreement.

Section 10.09 No Third Party Beneficiaries. There are no third party beneficiaries of this Agreement.

A. 82

Outlook E-mail

From: Bryan, Patrick M.
Sent: 6/8/2012 9:17:07 PM
To: Levitt, Jamie A.; Donovan, Daniel T.; Ornstein, Noah
Cc: Powell, Jeff; Princi, Anthony; Lee, Gary S.; Clark, Daniel E.
Subject: RE: Final drafts 9019 motion with declarations - CONFIDENTIAL
Attachments ResCap 9019 - FTI Declaration - 4_KE comments.DOC; ResCap 9019 Motion - Sillman Decl - 5_KE comments.DOC

Jamie -- Here are our comments on the Sillman and FTI declarations. Sillman needs to make clear throughout his declaration that he is assuming liability for purposes of his analysis. I've added language to that effect. I also struck his comments about what he would have done had he had more time to complete his analysis. That just invites objectors and the Court to delay until your expert has adequate time to complete his analysis and support the record.

I've attached comments on the FTI declaration as well. I think the FTI declaration needs substantial work to focus on the facts of this case. Right now it reads as a series of generalities. The litigation cost analysis boils down to a tautology that cases with more litigation have higher litigation costs. Nowhere in the declaration is there any discussion of the facts of this case (apart from paragraphs that simply repeat portions of the Lipps declaration) and how the settlement fits into the overall restructuring plan. And nowhere does FTI conclude that anything "would" happen absent the settlement. Instead, FTI generalizes what "could" happen. Similarly, the description of the benefits of the settlement is just a series of generalities that reads like a supplemental brief.

We're happy to jump on a call to discuss further tonight or anytime tomorrow.

Thanks,
Patrick

Patrick M. Bryan | Partner | Kirkland & Ellis LLP
655 Fifteenth Street, N.W. | Suite 1200 | Washington , D.C. 20005
Direct: (202) 879-5285 | Cellular : (202) 834-9043 | patrick.bryan@kirkland.com

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From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Friday, June 08, 2012 3:59 PM
To: Donovan, Daniel T.; Ornstein, Noah; Bryan, Patrick M.
Cc: Powell, Jeff; Princi, Anthony; Lee, Gary S.; Clark, Daniel E.
Subject: Final drafts 9019 motion with declarations - CONFIDENTIAL

Dan, Noah and Patrick:

Attached is what we hope is the final 9019 motion, redlined against what I sent you on Sunday and incorporating your comments and some other revisions. Also attached are the FTI declaration (FTI will let us know shortly who will be their declarant) and the Fortace/Sillman declaration. I have also attached the Whitlinger affidavit and Lipps declaration, from other filings, for reference.

We are finalizing and putting the papers together this weekend, so we are only looking for comments on glaring errors/problems. If there are any, please let us know asap.

Thanks.

EXHIBIT
Expert 9019-14
11/2012
PENGAD 800-631-6989

Jamie

<<ResCap - KPTF 9019 Motion - 3.DOC>> <<WS_BinaryComparison_FOR REDLINE-NEW YORK-#1044351-v3-ResCap_-_KP_TF_9019_Motion.doc>> <<ResCap 9019 Motion - Sillman Decl. - 5.DOC>> <<ResCap 9019 - FTI Declaration - 4.DOC>> <<06 - Lipps Declaration.pdf>> <<Docket No 6 - Whit .pdf>>

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MORRISON & FOERSTER LLP
1290 Avenue of the Americas
New York, New York 10104
Telephone: (212) 468-8000
Facsimile: (212) 468-7900
Gary S. Lee
Anthony Princi
Jamie Levitt

Proposed Counsel for the Debtors and Debtors in Possession

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	Case No. 12-12020 (MG)
RESIDENTIAL CAPITAL, LLC, et al.,	Chapter 11
Debtors.	Jointly Administered

DECLARATION OF FRANK SILLMAN IN SUPPORT OF DEBTORS' MOTION PURSUANT TO FED. R. BANKR. P. 9019 FOR APPROVAL OF THE RMBS TRUST SETTLEMENT AGREEMENTS

I, Frank Sillman, being duly sworn, depose and say:

1. I serve as Managing Partner for Fortace, LLC ("Fortace")[1] an advisory and consulting firm to banks, mortgage companies, insurance companies, trustees and other investors. I am authorized to submit this declaration (the "Declaration") on behalf of the Debtors in connection with their motion pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure for approval of RMBS Trust

[1] Capitalized terms not otherwise defined herein or if not defined therein, as defined in the RMBS Trust Settlement Agreement, or in the Governing Agreements for each of the Debtors' securitizations, or in the defined terms incorporated by reference therein.

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Settlement Agreements. This Declaration reflects the work performed to date and I reserve the right to augment and refine the analysis as my work is ongoing.

2. A key area of my work with Fortace relates to reviewing and opining on the reasonableness of repurchase demands. I have performed repurchase demand work for insurers and lenders who have issued repurchase demands to Sellers, as defined below, based on alleged breaches of representations and warranties. As part of this work I helped develop the loan audit selection criteria, reviewed contractual obligations, performed loan level audits, made recommendations as to whether or not a repurchase demand should be issued and participated in the negotiations with the Sellers on discussions to repurchase loans. I have also performed work for Sellers who have received repurchase demands from Trustees, insurers and lenders for alleged breaches of representations and warranties. As part of this work I have reviewed contractual obligations, reviewed the repurchase demands and the related findings and supporting evidence, performed loan level audits, made recommendations to Sellers as to whether or not the alleged breaches were contractual breaches, and participated in the negotiations with Trustees on discussions to repurchase loans.

3. I have approximately twenty five years of experience in the mortgage banking industry. I have held senior executive positions at a federally insured bank, a Wall Street investment bank and at privately held mortgage banking companies. During those 25 years, I have managed residential mortgage origination and loan operations, secondary marketing, capital markets, treasury and warehouse lending. In particular, I have extensive experience in the residential mortgage market, including origination, securitization, loss reserves, and repurchase-related activities related to

Fannie Mae, Freddie Mac, FHA, Prime Jumbo, Alt A, Subprime, HELOC and Second Lien residential mortgage loans.

4. The RMBS Trust Settlement Agreement seeks to resolve a large number of breach of representation and warranty claims. I was asked to provide an independent assessment of the Total Allowed Claim as defined in the RMBS Trust Settlement Agreement and opine as to its reasonableness. For purposes of this Declaration, I was asked to assume the Trusts were capable of proving a breach of representations and warranties under the Governing Agreements. In conjunction with selected Fortace personnel under my supervision, I have therefore performed a review of the following data and agreements related to the securitization trusts identified in Exhibit A to the RMBS Trust Settlement Agreement (the "Trusts"): (1) the Actual Liquidated Losses,[2] (2) the actual Severity Rates for the Trusts based on the Liquidated Loans, (3) Frequency Rates from one Trust for each of the representative Shelves, (4) the payment status and delinquency data for the Trusts as of March 31, 2012, (5) the Debtors' repurchase experience with Freddie Mac and Fannie Mae's repurchase demand data, and (6) Governing Agreements from one Trust from each of the Shelves. Additionally, in those areas where actual data for the Trusts is not available, such as Audit Rates, Demand Rates, Breach Rates and Agree Rates as defined and detailed below, I utilized assumptions and developed my own models based on my own experience and industry data, where available; which takes into consideration the Payment Status, Shelf and loan

[2] In this Declaration, all references to percentages are rounded to the nearest whole percentage (*e.g.*, 98.5% is rounded up to 99%, and 98.4% is rounded down to 98%). Some percentage totals will not equal 100% due to rounding.

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product types, including Prime Jumbo, Alt A, Subprime, HELOC and Second Lien (collectively, "Mortgage Loan Products").

5. The first step in estimating the range of potential repurchase liability for the Debtors ("Potential Repurchase Liability") is first developing the potential cumulative lifetime loss ranges for the Trusts ("Estimated Lifetime Losses"). The next step necessary to understand the Potential Repurchase Liability is to develop the percentage of Estimated Lifetime Losses that the Debtors might agree to share with the Trusts ("Loss Share Rate") as a result of potential breaches of representations and warranties.

6. For purposes of this Declaration, I developed Estimated Lifetime Loss assumptions in the aggregate based on the Payment Status, Shelf, and Mortgage Loan Product, as defined and detailed below.

Deleted: , instead of utilizing more detailed cash flow and loss assumptions for each individual Trust Based on the limited time allotted to prepare my Declaration,

Deleted: I have not yet performed separate cash flow models utilizing more nuanced assumptions to determine the Estimated Lifetime Loss ranges for each of the Trusts.

7. For purposes of this Declaration, I developed my Demand Rate, Breach Rate and Agree Rate assumptions utilizing the Debtors' actual GSE repurchase demand data, industry repurchase demand data and my own repurchase demand experience. Those assumptions were then applied at the Payment Status, Shelf and Mortgage Loan Product level not at the individual Trust level as defined and detailed below. The Audit Rate, Demand Rate and Breach Rate for the Trusts were not available publically or from the Debtors. Additionally, the vast majority of the Trusts PLS repurchase demands received by the Debtors to date are unresolved, so I could not ascertain a meaningful PLS Agree Rate or Loss Share Rate assumption for use in this Declaration. Instead I focused on the more robust, complete and reliable information available regarding the Debtors' actual GSE repurchase demand data.

Comment [p1]: I understand that he may have done things differently with more time but repeating he didn't have enough time to do a complete analysis invites putting off the hearing until he can complete full analysis and complete factual record is prepared.

Deleted: Based on the limited time allotted to prepare my Declaration, I have not

Deleted: yet performed loan level audits on a statistically valid sample of loans from of each of the Trusts in order to assist in developing my Demand Rate, Breach Rate and Agree Rate assumptions.

8.

Deleted: Although the time constraints imposed for the development of this Declaration before the required filing date limited the type and depth of the analysis I was able to perform to develop my assumptions, it is my professional opinion that the process, assumptions and methodology I utilized were sound and thorough.

9. If I were called to testify as a witness in this matter, I would testify competently to the facts set forth herein.

OVERVIEW OF THE MORTGAGE SECURITIZATION PROCESS

10. The creation, sale and servicing of a Residential Mortgage Backed Security ("RMBS") is a multi-stage process comprising of numerous steps and utilizing various entities to discharge the required duties.[3] The RMBS securitization process detailed below is consistent with the process utilized by the Debtors in the creation, sale and servicing of the Trusts.

11. First, the "Seller" of the RMBS, also known as the Sponsor, Issuer and/or Depositor, accumulates or pools the mortgage loans it originated and/or purchased from other Lenders. Various of the Debtors acted as Sellers to the Trusts. The Seller arranges to sell those mortgage loans into a "Special Purpose Entity" created exclusively for the purpose of issuing an RMBS, often referred to as an "RMBS Trust." If the Seller planned to offer a large quantity of a similar type of securities, the Seller would file a registration statement with the SEC to allow it to offer Trusts without SEC review of each supplement ("Shelf" or "Shelves"). The Debtors offered RMBS Trusts under eight different Shelves[4], covering a wide range of different mortgage products. In connection with the securitization, an Underwriter(s), Trustee, Servicer, Master Servicer, REMIC Administrator and Custodian are selected to handle various duties on behalf of the RMBS

[3] A mortgage related Asset Backed Security ("ABS") transaction is similar in nature and is comparable for purposes of this discussion.

[4] There were the "RALI" shelf (Alt-A); "RFSMI" (Jumbo A); "RASC" (subprime); "RFMSII" (second lien); "RAAC" (seasoned loans); "RAAC-RP" (subprime) and "RAMP" (non-conforming products) and "GMACM" (various products).

Trust. In addition to being the Seller of Trusts, the Debtors, at times, acted as the Servicer and/or Master Servicer of the Trusts.

12. Second, prior to the closing of the sale of loans to the RMBS Trust, the parties negotiate all the applicable RMBS Trust agreements ("Governing Agreements") involved in the creation, sale and loan servicing of the RMBS Trust. Generally, the key Governing Agreements are the Mortgage Loan Purchase Agreement ("MLPA"), the Pooling and Servicing Agreement ("PSA"), and the Assignment, Assumption and/or Indenture Agreements, as applicable. Under the Governing Agreements, Sellers typically provide certain representations and warranties, which may vary from RMBS Trust to RMBS Trust, but can include requirements that the Sellers comply with the following: a) accuracy of the loan level data provided on the securitization data tape, b) seller's underwriting guidelines, c) origination and loan servicing policy and procedures, d) documents required to be contained in the mortgage file, e) accuracy of the valuation of collateral, f) federal, state and local regulations, and g) various degrees of fraud provisions. The Trusts utilized the standard Governing Agreements and typically, but not always, contained similar representations and warranties to those detailed above.

13. As a way to further enhance the credit rating of RMBS Trust Certificates, a Seller may choose to obtain Bond Insurance ("Bond Wrap"), from a monoline bond insurance company ("Monoline"). The Bond Wrap is a non-cancelable and binding obligation of the Monoline to guarantee full, complete and timely principal and interest payments to the RMBS Trust. For this guarantee, the Monoline charges the Seller a premium or fee for the issuance of the Bond Wrap. The presence of the Bond

Wrap is an added third party guarantee to the Certificate Holders in addition to the underlying credit structure of the RMBS Trust, which reduces the overall risk to the Certificate Holders and allows the credit rating agencies to increase the credit ratings of the Certificates. The Debtors utilized Bond Wraps on 61 of the 392 Trusts.

14. One or more credit rating agencies, such as Standard & Poor's and Moody's, review the data about the underlying mortgage loans, the Seller, the Servicer, the Master Servicer, the Trustees, and Governing Agreements, and Monoline Bond Wraps, if applicable, and assign credit ratings to each of the tranches of mortgage backed pass-through certificates ("Certificates"). The Trusts were all rated by one of more of the credit rating agencies.

15. The Certificates are then created and sold to investors through the Underwriter(s), who are typically Wall Street investment banks but also may be an affiliate of the Seller. The Trusts may have utilized a Wall Street Investment Banks and/or the Debtors affiliate GMAC RFC Securities to underwrite the Trusts.

16. Finally, the Servicer administers the mortgage loans in accordance with the Governing Agreements and the Trustee distributes the remittances to the Certificate Holders in accordance with the Governing Agreements and Certificates. Certain of the Debtors did act as Servicer, at times, for the Trusts.

ALLEGED BREACHES OF REPRESENTATIONS AND WARRANTIES

17. The Governing Agreements authorize certain parties, such as the Trustees, to notify the Seller of any alleged breaches of representations and warranties. If any such party notifies the Seller of an alleged breach of one or more of the

representations and warranties the following analysis is required in order to assess the Seller's repurchase or loss reimbursement obligation under the Governing Agreements.

18. Generally, the standard for analyzing a breach of a representation and warranty requires an assessment of: (a) whether the alleged loan defect or alleged breach is an actual breach of representations and warranties, and (b) whether the breach was material and adverse to the interests of the Certificate Holders in the mortgage loans (cumulatively the "R&W Repurchase Standard"). If the R&W Repurchase Standard is met, the Seller is required to repurchase non-liquidated loans at the purchase price, as defined in the applicable Governing Agreements, or to reimburse the RMBS Trust for any losses incurred in the liquidation of the loan, as defined in the applicable Governing Agreements ("Potential Repurchase Liability"). If the R&W Repurchase Standard is not met, the Seller does not have an obligation to repurchase the loan or reimburse the RMBS Trust for liquidated losses. I offer no opinion on whether the Trusts would be able to prove liability, i.e., meet the R&W Repurchase Standard. Rather, for purposes of this Declaration, I have assumed that the Trust would be capable of meeting the R&W Repurchase Standard.

LOAN REPURCHASE TRENDS

19. Beginning in late 2007, the US economy entered the worst recession since the great depression. This recession has inflicted tremendous damage to all sectors of the economy including employment, credit, gross domestic product, and the housing market. As the recession worsened, growing unemployment and the resulting loss of income had a devastating effect on the housing market, loan performance and housing prices. Rising delinquencies and plummeting housing prices have had and

continue to have a profoundly negative impact on the performance and resulting losses on all mortgage securitizations.

20. As a result, the government-sponsored entities, including Fannie Mae and Freddie Mac ("GSEs"), Monolines, and investors have began to pursue claims for alleged breach of representations and warranties at elevated rates to help offset their RMBS losses. The GSE's have requested sellers to repurchase approximately $66 billion in loans as noted in their recent SEC filings as summarized in Inside Mortgage Finance's Special Report ("IMF Special Report")[5], while industry estimates forecast that sellers of non-GSE securities, known as private label securities ("PLS"), will repurchase hundreds of billions in loans resulting in seller losses of approximately $133 billion according to Compass Point Research.[6]

RECENT INDUSTRY SETTLEMENTS

21. As way to more efficiently resolve the billions of dollars in repurchase demands, Fannie Mae, Freddie Mac and some investors have reached global repurchase settlements with certain Sellers.

22. In preparation for this Declaration, I reviewed the publically available settlement information relating to the following settlements:

Seller/Originator	Securitization type	Settlement Amount	Date
Bank of America	PLS	$8,500,000,000	June 2011[7]
Lehman	PLS	$40,000,000	November 2011

[5] As reported in Inside Mortgage Finance's Special Report Analyzing GSE Mortgage Buyback Demands regarding Fannie Mae and Freddie Mac's Regulation AB 15-G repurchase related SEC filings dated 2012. In this Special Report, the Debtor is referred to as GMAC Mortgage / Ally.

[6] Compass Point Research on Mortgage Repurchases Part II: Private Label RMBS Investors Take Aim dated August 17, 2010.

[7] Bank of America settlement for 530 trusts is pending court approval.

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Bank of America	Fannie Mae	$1,520,000,000	January 2012
Bank of America	Freddie Mac	$1,280,000,000	January 2012

23. Both the Bank of America ("BofA") and Lehman PLS settlements and the corresponding RMBS Trusts are similar in terms of the securitization structure, issuance years, Mortgage Loan Product mix, Governing Agreements and R&W Repurchase Standards.

THE DEBTORS' REPURCHASE HISTORY

24. I reviewed the Debtors' 2006-2008 GSE historical repurchase data, based on both Fannie Mae and Freddie Mac's Regulation AB 15-G SEC filings, as summarized in the IMF Special Report[8]. The repurchase data was as follows:

Seller/Originators	Repurchase Demands (millions)	Repurchased ("Agree Rate")	Pending	Disputed	Withdrawn ("Rescind Rate")
GMAC Mortgage / Ally (the Debtors)	$1,537.81	67.56%	2.60%	.50%	35.62%
All Seller / Originators	$65,836.91	49.54%	12.58%	4.15%	35.75%

DETERMINATION OF THE TRUSTS ESTIMATED LIFETIME LOSSES

Comment [p2]: How is this helpful?

Deleted: <#>The Debtors' significantly higher GSE Repurchased or Agree Rate of 67.56% as compared to 49.54% for all Seller/Originators is likely a result of higher than the industry average representation and warranty breaches on its GSE mortgage loan originations.¶

25. The "Estimated Lifetime Losses" for the Trusts are determined by adding (a) the actual losses that are incurred when a loan is foreclosed, sold through a short sale, REO or other final disposition and the losses are allocated to the trust ("Actual

[8] As noted above, the Debtors' PLS repurchase data is incomplete due to the large number of PLS repurchase demands that have not completed the repurchase process, largely due to pending litigation. Accordingly, I focused on the GSE repurchase experience instead.

Liquidated Losses"), and (b) the losses forecasted on the remaining outstanding unpaid principal balance ("Outstanding UPB") for the remaining life of the Trusts ("Forecasted Remaining Lifetime Losses"). The analysis below is based on data obtained from the Debtors, from Intex,[9] from the Debtors' Vision website[10] ("Vision"), and from other industry sources including SEC filings. From these sources, I have estimated the Trusts Estimated Lifetime Losses and the Potential Repurchase Liability ranges based on Actual Liquidated Losses plus Forecasted Remaining Lifetime Losses by Payment Status, by Shelf, and by Mortgage Loan Product utilizing "Frequency Rate" and "Severity Rate" assumptions as described below.

26. The Actual Liquidated Losses for the Trusts is $30.3 billion. This figure was obtained from Intex and the unpaid principal balance ("UPB") of the liquidated loans at the time of liquidation ("Trusts Liquidated Loans") was obtained from the Debtors.

27. The "Forecasted Remaining Lifetime Losses" for the Trusts are determined by multiplying (i) the Outstanding UPB, (ii) the Frequency Rate assumptions, and (iii) the Severity Rate assumptions.

A. OUTSTANDING UPB FOR THE TRUSTS

28. For purposes of this Declaration, the data for the Outstanding UPB of the Trust was as of March 31, 2012 ("Cut-Off Date").

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[9] Intex is a subscription based provider of RMBS loan level data and cash flow models. Intex data was provided by the Debtors.

[10] The Debtors' Vision website contains RMBS Trust information monthly servicing certificate statements, prospectus supplements, operating documents in addition to loan level data files.

29. Fortace obtained and stratified the Trusts Outstanding UPB data by Payment Status obtained from Intex and by Shelf and by Mortgage Loan Product Group obtained from both Vision and the Debtors. The "Payment Status" buckets used for this analysis were as follows: (a) "Current", the mortgage payments are paid up to date, (b) "30-59 Days Delinquent", the mortgage payments are 30-59 days past due, (c) "60-89 Days Delinquent", the mortgage payments are 60-89 days past due, (d) 90+ Days Delinquent & REO, the mortgage payments are 90 or more days past due or the property has been acquired through foreclosure; often referred to as real estate owned ("REO"), and (c) "Foreclosure", the Servicer is in the legal process of acquiring the property from the defaulted borrower.

30. The Trusts Outstanding UPB as of the Cut-Off Date is $62.4 billion.

B. FREQUENCY RATE ASSUMPTIONS

31. The "Frequency Rate" is defined as the percentage of loans in a mortgage portfolio that are projected to be liquidated with a loss through foreclosure sale, REO sale, short sale or charge-off. The Frequency Rate, also known in the industry as the "Roll Rate", represents the projected likelihood that a group of loans will "roll" from current or delinquent status to defaulted and liquidated. The Frequency Rate in conjunction with the Severity Rate are industry standards utilized to forecast future losses for an RMBS Trust and are two key assumptions utilized by credit rating agencies when rating RMBS Certificates, by mortgage investors when evaluating RMBS Certificates and by Banks when evaluating loan loss reserves.

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32. I reviewed the February 2012 Frequency Rates for one Trust from each of the eight Debtors Shelves. I then compared the Trusts Frequency Rates to Frequency Rates provided by other industry available sources, such as the BofA Expert Report[11] and the Lehman Expert Declaration[12] to develop our Frequency Rate assumptions. The Frequency Rate assumptions utilized in this Declaration are similar to those used in the BofA Expert Report and the Lehman Expert Declaration.

33. These Frequency Rates were then applied first by Payment Status, then by Shelf, then by Mortgage Loan Product for both the lower and higher ranges. These Frequency Rates were then assumed to have a flat roll rate to liquidation, which means the Frequency Rates were not varied with the passage of time or other variables.

34. The average Frequency Rates for the Trusts assumed in this analysis are 36% at the lower range and 41% at the higher range.

C. SEVERITY RATE ASSUMPTIONS

35. The "Severity Rate", also known as the "Default Rate", represents the percentage of losses associated with a loan or group of loans when the loan defaults and is liquidated though foreclosure sale, REO sale, short sale or charge-off.

36. I reviewed the actual Severity Rates to date, based on the Actual Liquidated Losses for the Trusts by Shelf and by Mortgage Loan Product, and adjusted them to current market conditions based on the latest three month actual Severity Rates obtained from Intex, by Shelf and by Mortgage Loan Product.

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[11] The RRMS Advisors Opinion Concerning Contemplated Settlement Amount for 530 Trusts dated June 7, 2011.

[12] The Lehman Brothers Holdings Inc. Declaration of Zachary Trumpp filed January 12, 2012.

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37. Once we determined our Severity Rates they were then applied by Shelf and by Mortgage Loan Product on a flat severity basis.

38. The average Severity Rates for the Trusts assumed in this analysis are 68% at the lower range and 78% at the higher range.

D. FORECASTED REMAINING LIFETIME LOSSES

39. Applying the Frequency Rate and Severity Rate assumptions to the Outstanding UPB, I determined a potential range for such Forecasted Remaining Lifetime Losses for the Trusts. The lower end of possible range for such losses, calculated using the metrics and assumptions are shown in the following chart, was $15.3 billion.

Comment [p3]: Assuming liability?

LOWER RANGE (in billions)				
Payment Status As of March 31, 2012	Trusts Outstanding UPB	Frequency Rate	Severity Rate	Forecasted Remaining Lifetime Loss
Current (Non-Modified)	$34.1	11%	72%	$2.8
Current (Modified)	$11.3	36%	68%	$2.8
30-59 Days Delinquent	$2.2	15%	68%	$0.2
60 – 89 Days Delinquent	$1.0	84%	66%	$0.6
90+ Days Delinquent & REO	$6.3	96%	67%	$4.0
Foreclosure	$7.5	99%	67%	$5.0
Total	**$62.4**	**36%**	**68%**	**$15.3**

40. The higher end of possible range for such losses for the Trusts, calculated using the metrics and assumptions are shown in the following chart, was $19.5 billion.

HGHER RANGE (in billions)				
Payment Status As of March 31, 2012	Trusts Outstanding UPB	Frequency Rate	Severity Rate	Forecasted Remaining Lifetime Loss
Current (Non-Modified)	$34.1	17%	80%	$4.6

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Current (Modified)	$11.3	41%	78%	$3.6
30-59 Days Delinquent	$2.2	20%	77%	$0.3
60 – 89 Days Delinquent	$1.0	87%	75%	$0.7
90+ Days Delinquent & REO	$6.3	97%	75%	$4.6
Foreclosure	$7.5	99%	77%	$5.7
Total	**$62.4**	**41%**	**78%**	**$19.5**

41. The following chart shows a comparison of the assumptions made for the Frequency Rate and Severity Rate to those used in the BofA Expert Report and Lehman Expert Declaration.

Description	Frequency Rate assumptions		Severity Rate assumptions	
	Lower Range	Higher Range	Lower Range	Higher Range
Trusts	36%	41%	68%	78%
BofA Expert Report	44%	47%	45%	60%
Lehman Expert Declaration	25%	45%	45%	55%

42. The Frequency Rate assumptions for the lower range are similar in this Declaration and the BofA Expert Report with the Lehman Expert Declaration lower range assumption being an outlier. The Frequency Rate assumptions for the higher range are all similar. The Severity Rate assumptions utilized in this Declaration are primarily driven by the actual Severity Rates for the Trusts Liquidated Loans which are meaningfully higher in both the lower ranges and higher ranges than those used in the BofA Expert Report and the Lehman Expert Declaration. I concluded that the actual Severity Rates for the BofA loans and Lehman loans must be meaningfully lower than the Trusts actual Severity Rates, thus justifying BofA's and Lehman's lower Severity Rate assumptions. Given the above, these Frequency Rate assumptions and Severity Rate assumptions are in my professional opinion reasonable for the Trusts.

Comment [p4]: If he is just assuming this to be the case, he should state he "concluded" it was so. Better to say the difference is likely the result of ...

Comment [p5]: He should state the bases for his conclusion.

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E. ESTIMATED LIFETIME LOSSES

43. By adding the Actual Liquidated Losses to the range of Forecasted Remaining Lifetime Losses, I determined that the Estimated Lifetime Losses for the Trusts range between $45.5 billion on the lower end, and $49.8 billion on the higher end. The calculation of these numbers is expressed in the following chart:

(in billions)	Lower Range	Higher Range
Actual Liquidated Losses	$30.3	$30.3
Forecasted Remaining Lifetime Loss	$15.3	$19.5
Trusts Estimated Lifetime Losses	$45.5	$49.8

Comment [p6]: Clarify that these are gross losses expected and not limited to losses based on R&W Standard and assumes liability can be proven

LOSS SHARE RATE

44. As defined above, the Loss Share Rate is the percentage of Estimated Lifetime Losses that the Debtors might agree to share with the Trusts as a result of potential breaches of representations and warranties.

45. For the purposes of this Declaration, the Loss Share Rate is defined as the product of (a) the "Breach Rate," and (b) the "Agree Rate."

46. The Breach Rate is defined as the product of (a) the "Audit Rate" and (b) the "Demand Rate."

A. AUDIT RATE

47. The Audit Rate is defined as the percentage of loans in a given mortgage portfolio that are audited by the Trustee or other parties authorized under the Governing Agreements for the purpose of finding alleged representation and warranty breaches. To make this calculation, one must first determine the Audit Rate on a group

of loans or the Trustee loan audit selection criteria designed to identify loans with a high likelihood of representation and warranty breaches.

48. Since a Trustee's audit selection methodology is proprietary to the Trustee and not shared with the Seller, there is very little publically available information regarding GSE or PLS Trustee's Audit Rates or loan audit selection criteria. I did find one recent report from September 2011 from the FHFA OIG[13] that provides some unique insight into both Fannie Mae's and Freddie Mac's Audit Rate and loan audit selection criteria.

49. The FHFA OIG reported that Freddie Mac reviews for repurchase claims only those loans that go into foreclosure or experience payment problems during the first two years following origination. Loans that default after the first two years are reviewed at dramatically lower rates. The report goes on to note that a Freddie Mac senior examiner believed that this narrower selection criteria resulted in a lower population of loans with defects than would have been discovered if all loans that go into foreclosure or liquidation were considered.

50. Additionally, the FHFA OIG report contained an FHFA Memorandum, written by Jeffrey Spohn, which stated that the longstanding business practice for both Fannie Mae and Freddie Mac has been to review non performing loans principally but not exclusively on mortgages that default in the first few years. This business practice stems from the belief that defaults that occur in the first few years provide the best opportunity to learn why loans go into default, while most later defaults

[13] The FHFA OIG Evaluation of the Federal Housing Finance Agency's Oversight of Freddie Mac's Repurchase Settlement with Bank of America dated September 27, 2011.

are unlikely to be related to manufacturing defects (they more typically reflect life events such as unemployment, divorce or health issues) and that manufacturing defects become harder to prove with the passage of time.

51. In his memo, Mr. Spohn agreed with the FHFA OIG report that Freddie Mac and FHFA needed to reassess their loan audit selection criteria with the potential to broaden their selection criteria to include a larger population of loans that go into foreclosure or liquidation.

52. It has been my experience working with mortgage insurance companies and for banks issuing repurchase demands to their wholesale and correspondent sellers, that it is a standard industry practice to select more than just loans that go to foreclosure or liquidation in the first two years for loan audits. A more prevalent industry practice is to first evaluate all loans that go to foreclosure or liquidation and then exclude a portion of the loans that defaulted due to a documented hardship (or life event as noted in the FHFA Memorandum) such as loss of a job, reduction of income, major illness or those loans that defaulted after 24-36 months of perfect pay history. The reasoning behind this reduction or discount is that these excluded loans likely defaulted because of the borrower hardship or some other reason other than a loan defect. This is consistent with the reasoning utilized by FHFA, Fannie Mae and Freddie Mac in their Audit Rate selection criteria. Even the mortgage insurance companies, who have been among the most aggressive pursuers of insurance rescissions, have often excluded loans with perfect pay histories from their Audit Rate selection criteria. I have observed with my clients Audit Rates ranging from approximately 65% to

90% of Forecasted Liquidated Loans with reductions in the Audit Rates for perfect loan payment histories and borrower hardships.

53. Based on my Audit Rate experience and the FHFA OIG findings and recommendations, I have assumed for purposes of this Declaration the following Audit Rate assumptions:

Description	Audit Rate assumptions	
	Lower Range	Higher Range
Trusts Liquidated Loans	70%	75%
Current (Non-Modified)	15%	30%
Current (Modified)	45%	50%
30-59 Days Delinquent	70%	75%
60 – 89 Days Delinquent	70%	75%
90+ Days Delinquent & REO	70%	75%
Foreclosure	70%	75%
Total Average	**65%**	**69%**

54. I note that neither the BofA Expert Report nor the Lehman Expert Declaration discussed their Audit Rate assumptions and simply provided the Breach Rate which, as defined above, is the is the product of (a) the Audit Rate and (b) the Demand Rate.

B. DEMAND RATE AND DEMAND PROCESS

55. As part of the Trustee's loan level audit and repurchase demand decision process, the Trustee requires the loan auditor to perform the following review as part of the loan level audit: (1) identify any potential contractual breaches (such as failure to comply with the seller's underwriting guidelines), (2) document the alleged breach facts, (3) opine as to whether or not the alleged breach is material and (4) opine as to whether or not the alleged breach was adverse to the interests of the Certificate Holders.

As we discussed above, the alleged breach must meet the R&W Repurchase Standard in order to contractually require the Seller to repurchase the loan.

56. The Demand Rates for the GSE's are not publically available. There are Demand Rates that have been alleged in some PLS repurchase related litigation against various Sellers, including the Debtors. These PLS litigation Demand Rates are unsubstantiated, appear to be inflated and are vigorously disputed by the Sellers. Lastly, neither the BofA Expert Report nor the Lehman Expert Declaration discussed their Demand Rate assumptions. Therefore, I based my Demand Rate assumptions on my repurchase demand experience I have assumed for purposes of this Declaration the following Demand Rate assumptions:

Description	Demand Rate assumptions	
	Lower Range	Higher Range
Trusts Liquidated Loans	55%	65%
Current (Non-Modified)	30%	40%
Current (Modified)	50%	60%
30-59 Days Delinquent	55%	65%
60 – 89 Days Delinquent	55%	65%
90+ Days Delinquent & REO	55%	65%
Foreclosure	55%	65%
Total Average	**54%**	**64%**

C. BREACH RATE

57. The Breach Rate was determined by multiplying the Audit Rate assumptions multiplied by the Demand Rate assumptions. Based on this calculation, I determined that the Breach Rate assumptions for the Trusts range between 36% and 44%. The following chart shows a comparison of this Breach Rate to that used in the BofA Expert Report and Lehman Expert Declaration.

Description	Breach Rate assumptions	
	Lower Range	Higher Range

Trusts	36%	44%
BofA Expert Report	36%	36%
Lehman Expert Declaration	30%	35%

58. The Breach Rate assumptions for the lower range are the same in this Declaration and the BofA Expert Report with the Lehman Expert Declaration lower range assumption being an outlier. The Breach Rate assumptions for the higher range utilized in this Declaration are higher than both than those used in the BofA Expert Report and the Lehman Expert Declaration. I concluded that higher Breach Rate assumption is this Declaration is the result of my more conservative view of potential Breach Rates. Given the above, these Breach Rate assumptions are in my professional opinion reasonable for the Trusts.

Comment [p7]: Outlier because it is lower? Why not just say he is being more conservative than Lehman.

D. AGREE RATE

59. The Agree Rate is the percentage of Demands issued by the Trustee that the Seller agrees to repurchase or make whole. While the Trustee may issue a Demand alleging one or more representation and warranty breaches, the Seller may not agree with the alleged breach facts. Then, even if the Seller does agree on the alleged breach facts, the Seller will not always agree that the breach meets the R&W Repurchase Standard as described above.

60. Prior to March 2012, there was not much in terms of public disclosures with any insight into Agree Rates for alleged breaches of representations and warranties. However, beginning in March of 2012, Fannie Mae, Freddie Mac and over a dozen Private Label Sellers have filed Regulation AB 15-G repurchase demand data with the SEC, including Agree Rates.

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61. Based on the IMF Special Report, the average GSE Agree Rates for all Sellers was 49.54% and 67.56% for the Debtors. In our assumptions, we discount the GSE Agree Rates based on the less stringent representations and warranties found in the Trusts Governing Agreements when compared to the stronger representations and warranties found in the Fannie Mae and Freddie Mac agreements. For example, in many of Trusts Governing Agreements there is little to no fraud representation or warranty language and the requirement to confirm to the Underwriting Guidelines are often qualified with "Generally" or "Substantially" in compliance with the Underwriting Guidelines which are both lower standards than found in Fannie Mae or Freddie Mac agreements.

62. Based on the above and in consideration of the costs, risks and uncertainties if the parties do not mutually agree on the repurchase population and have to resort to litigation to resolve their differences, we have discounted the Debtors GSE Agree Rates and have assumed Trusts Agree Rate ranges between a low of 41% and a high of 47%. The following chart shows a comparison of this Agree Rate to that used in the BofA Expert Report and Lehman Expert Declaration:

Description	Agree Rate Assumptions	
	Lower Range	Higher Range
Trusts	41%	47%
BofA Expert Report	40%	40%
Lehman Expert Declaration	30%	40%

63. The Agree Rate assumptions for the lower range are similar in this Declaration and the BofA Expert Report with the Lehman Expert Declaration lower

range assumption being an outlier. The Agree Rate assumptions for the higher range utilized in this Declaration are higher than both than those used in the BofA Expert Report and the Lehman Expert Declaration. I concluded that higher Agree Rate assumption in this Declaration is correlated to the Debtors' substantially higher actual Agree Rates with the GSE's when compared to the industry as a whole, 67.56% versus 49.54%. Given the above, these Agree Rate assumptions are in my professional opinion reasonable for the Trusts.

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E. LOSS SHARE RATE AND POTENTIAL LIABILITY

64. The Loss Share Rate was determined by multiplying the Breach Rate times the Agree Rate. Based on this calculation, I determined that the Loss Share Rate for the Trusts ranges between 15% and 21%.

65. The following chart shows a comparison of the calculated Loss Share Rates used in the BofA Expert Report and Lehman Expert Declaration.

Description	Loss Share Rate Assumptions	
	Lower Range	Higher Range
Trusts	15%	21%
BofA Expert Report	14%	14%
Lehman Expert Declaration	9%	14%

66. The explanation for the higher Loss Share Rate assumptions in this Declaration when compared to the Loss Share Rate assumptions in both the BofA Expert Report and the Lehman Expert Declaration is the result of the higher assumed Trust Agree Rates which results in the higher Debtors' Loss Share Rates.

POTENTIAL REPURCHASE REQUIREMENTS

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67. For purposes of this Declaration, I was asked to assume the Trusts were capable of proving a breach of representations and warranties under the Governing Agreements. Assuming liability, I calculated the Potential Repurchase Requirements. This calculation is the product of the (a) Trusts Estimated Lifetime Losses, and (b) the Loss Share Rate.

Comment [p8]: This will be Exhibit in any PLS case that is not subject to the automatic stay and will be used to show that the Debtors own expert concluded liability. Silliman must state clearly and repeatedly that he is not rendering an opinion on liability for R&W claims asserted; rather he is opinion on potential repurchase requirements based on historical and other data points assuming liability.

Deleted: The

Deleted: Liability

Deleted: Liability

68. Utilizing the figures stated above in this Declaration, the range of Potential Repurchase Requirements is $6.7 to $10.3 billion. The following chart shows the metrics for determining the low end of the range for the Debtors' Loss Share Rate and corresponding Potential Repurchase Liability.

LOWER RANGE
(in billions)

Description	Current Outstanding Trusts UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Liability
Trusts Liquidated Loans				$30.3	39%	42%	16%	$4.9
Current (Non-Modified)	$34.1	11%	72%	$2.8	5%	13%	.6%	$0.02
Current (Modified)	$11.3	36%	68%	$2.8	23%	32%	7%	$0.2
30-59 Days Delinquent	$2.2	15%	68%	$0.2	39%	42%	16%	$0.04
60 – 89 Days Delinquent	$1.0	84%	66%	$0.6	39%	42%	16%	$0.09
90+ Days Delinquent &	$6.3	96%	67%	$4.0	39%	42%	16%	$0.6
Foreclosure	$7.5	99%	67%	$5.0	39%	42%	16%	$0.8
							15%	**$6.7**

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69. The following chart shows the metrics for determining the high end of the range for the Debtors' Loss Share Rate and corresponding Potential Repurchase Liability.

HIGHER RANGE (in billions)								
Description	Current Outstanding Trusts UPB	Frequency Rate	Severity Rate	Trusts' Estimated Lifetime Losses	Breach Rate	Agree Rate	Loss Share Rate	Potential Repurchase Liability
Trusts Liquidated Loans				$30.3	49%	48%	23%	$7.1
Current (Non-Modified)	$34.1	17%	80%	$4.6	12%	23%	3%	$0.1
Current (Modified)	$11.3	41%	78%	$3.6	30%	43%	13%	$0.4
30-59 Days Delinquent	$2.2	20%	77%	$0.3	49%	48%	23%	$0.08
60 – 89 Days Delinquent	$1.0	87%	75%	$0.7	49%	48%	23%	$0.2
90+ Days Delinquent &	$6.3	97%	75%	$4.6	49%	48%	23%	$1.1
Foreclosure	$7.5	99%	77%	$5.7	49%	48%	23%	$1.2
							21%	**$10.3**

CONCLUSION

70. In summary, based on the methodology and the assumptions utilized in my analysis described above, it is my opinion that proposed settlement amount of $8.7 billion appears to be in the range of reasonableness. I swear under penalty of perjury that the foregoing is true and correct.

Dated: June 11, 2012

draft
Frank Sillman

A. 66

From: Devine, Timothy
Sent: 5/13/2012 2:36:01 PM
To: Levitt, Jamie A.; Ruckdaschel, John; Ornstein, Noah; 'rschrock@kirkland.com'; 'RCieri@kirkland.com'; Lee, Gary S.
Subject: FW: great news and very important note

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Sunday, May 13, 2012 2:28 PM
To: Devine, Timothy; 'Talcott J. Franklin'
Subject: RE: great news and very important note

Tal: need to close now – you have all my apologies – the machine is grinding – ceo will give embargoed interviews etc – final 8Ks – it's all going in – this is my last chance ot get you in the deal pre-filing – and in my mind that makes a ton of difference for you and your clients…

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Sunday, May 13, 2012 12:35 PM
To: Talcott J. Franklin
Subject: RE: great news and very important note

I can try to call you but on phone now with CEO and making range of final decisions before 1pm bd mtg. I can't expose Ally to any claims however remote.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Talcott J. Franklin [mailto:Tal@talcottfranklin.com]
Sent: Sunday, May 13, 2012 12:16 PM
To: Devine, Timothy
Subject: Re: great news and very important note

Please call me. 214.642.9191.

Sent from my iPhone

On May 12, 2012, at 1:28 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

Tal: first – great news that your clients are on board. As you and I said, this deal is starkly superior to any of the alternative scenarios for all concerned. And thank you for speedy work. I know that you invested a great deal of effort to be prepared for a speedy turn on the documents.

Second – very, very important: we need the cusip level holdings of the clients – like yesterday. The value of this settlement is that we have X% footprint out of all the certificates issued. And X is big. So that increases the chances that it will actually be approved. And we need 100% reliability and credibility, for all of us, when we represent the holdings of the consenting claimants. I know you get this but I'm reaching out to you personally because we need absolute full court press to get all this lined up so our folks can bake maximum X with accuracy and credibility into their very first statements that support the Plan, tomorrow.

Thanks again.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 67

From: Princi, Anthony
Sent: 5/13/2012 7:25:47 PM
To: 'Devine, Timothy'; Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Don't believe the terms of the agreements allow for that but if K&E disagrees please let us know ASAP.

We spoke to Kathy and resolved the issues and are going to be circulating final, execution versions of the agreements soon.

From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
Sent: Sunday, May 13, 2012 7:09 PM
To: Princi, Anthony; Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

If there is any discussion about the total $ for allowed claims arising out of these issuances – wrapped, unwrapped, monoline, trust, whatever (excepting securities law claims) – going over $8.7 billion then we have no deal. Ally did not, cannot and will not approve it.

I am sure I misunderstood the notes below.

Thanks.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Princi, Anthony [mailto:APrinci@mofo.com]
Sent: Sunday, May 13, 2012 7:05 PM
To: Scott A. Humphries; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Devine, Timothy; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

Gary is calling Kathy to deal with all this.

From: Scott A. Humphries [mailto:SHumphries@gibbsbruns.com]
Sent: Sunday, May 13, 2012 7:05 PM
To: Scott A. Humphries; Princi, Anthony; Kathy D. Patrick; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.; nornstein@kirkland.com; Timothy.Devine@ally.com; Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com
Subject: RE: Settlement documents -- confidential

<< File: 30507447-v11-Revised Plan Support Agreement (RG 513 draft).docx >> << File: Change-Pro Redline - 30507447-v10-Revised Plan Support Agreement (MoFo 513 draft) and 30507447-v11-Revised Plan Support Agreement (RG 513 draft).pdf >>

A. 68

From: Lee, Gary S.
Sent: 5/13/2012 2:42:58 PM
To: 'Ornstein, Noah'; Levitt, Jamie A.; 'Ross.Martin@ropesgray.com'; 'Kathy D. Patrick'; 'Scott A. Humphries'
Cc: Princi, Anthony; 'Devine, Timothy'; Cieri, Richard M.
Subject: RE: Settlement documents -- confidential

Kathy, as you and your team look at this can you make sure we have properly captured the mechanics for the allowed claim definition to encompass the Credit Enhancers and whether the following language in section 5.01 reflects the way the claim is to be calculated.

"The amount of the Allowed Claim shall equal (i) $8,700,000,000, multiplied by (ii) the percentage represented by (a) the total dollar amount of original principal balance for the Accepting Trusts, divided by (b) the total dollar amount of original principal balance for all Trusts."

The notion is that the monolines claims (other than indemnity) are captured in their entirity in 5.01 and that the claim calculation works. I am not convinced this language is perfect.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Ornstein, Noah [mailto:nornstein@kirkland.com]
Sent: Sunday, May 13, 2012 2:11 PM
To: Levitt, Jamie A.; 'Ross.Martin@ropesgray.com'; 'Kathy D. Patrick'; 'Scott A. Humphries'
Cc: Princi, Anthony; Lee, Gary S.; 'Devine, Timothy'; Cieri, Richard M.
Subject: RE: Settlement documents -- confidential

All,

Please find attached a blacklilne of each of the settlement agreement and PSA showing just those changes discussed on the phone for which MOFO was to turn the draft. These drafts remain subject to FRE 408.

Noah

From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sunday, May 13, 2012 2:02 PM
To: Ross.Martin@ropesgray.com; Kathy D. Patrick; Scott A. Humphries
Cc: Ornstein, Noah; Princi, Anthony; Lee, Gary S.; Devine, Timothy; Cieri, Richard M.
Subject: Settlement documents -- confidential

Kathy and Scott,

Attached are the settlement documents redlined against the documents Scott sent last night. I thought you might want to see the changes we think exist from last night and this morning. Noah will separately send a set of redlines against what we sent last night in case you prefer to review that way. Please let us know if you have changes on the monoline references as Gary discussed. We have not addressed the sale/transfer point because that language is being revised by you and I understand you will be sending the allocation exhibit including the bypass language you propose.

Our goal needs to be to get your additions and thoughts and get these documents finalized asap.

Thanks.

Jamie

****

****

A. 69

From: Cieri, Richard M.
Sent: 5/13/2012 9:26:06 PM
To: Devine, Timothy
Cc: Lee, Gary S.; Princi, Anthony; Levitt, Jamie A.; Ornstein, Noah; Jeffrey A. Lipps; Ruckdaschel, John
Subject: Re: Settlement documents -- confidential

Needs to be clear all in.

Sent from my iPad

On May 13, 2012, at 9:25 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

> All: no matter what, the allocation details cannot be the least bit ambiguous or tricky on this point: $8.7 billion is the allowed claim for all takers, including monolines as well as trustees. There's no separate bite at the apple for monolines, no matter how they designate their claims. Trustees and monolines need to resolve amongst themselves how the water flows through the trusts. No separate indemnity claims by monolines against some other part of the estate. It's all in here. Thanks. If the language does not support this, the actual deal, then we need to fix the language. Tim
>
> Timothy A. Devine
>
> Chief Counsel - Litigation
>
> Ally Financial Inc. Legal Staff
>
> 200 Renaissance Center
>
> M/C: 482-B09-B11
>
> Detroit, MI 48265
>
> (313) 656-3477
>
> ---
>
> **From:** Princi, Anthony [mailto:APrinci@mofo.com]
> **Sent:** Sunday, May 13, 2012 9:20 PM
> **To:** kcrost@orrick.com; Levitt, Jamie A.; Ruckdaschel, John; lipps@CarpenterLipps.com
> **Cc:** Devine, Timothy; Lee, Gary S.
> **Subject:** Re: Settlement documents -- confidential
>
> Thanks Kathy
>
> ----- Original Message -----
> From: Crost, Katharine I. <kcrost@orrick.com>
> To: Levitt, Jamie A.; 'John.Ruckdaschel@ally.com' <John.Ruckdaschel@ally.com>; 'lipps@CarpenterLipps.com' <lipps@CarpenterLipps.com>
> Cc: 'Timothy.Devine@ally.com' <Timothy.Devine@ally.com>; Lee, Gary S.; Princi, Anthony
> Sent: Sun May 13 21:10:57 2012
> Subject: Re: Settlement documents -- confidential
>
> My thoughts - I'm sure you have thought of many of these points already.
>
> Para 1 - Allocating the Allowed Claim on a pro rata basis in accordance with losses in each trust does not attempt to

allocate the Allowed Claim based on harm to the respective trusts based on possible breaches of reps and warranties by ResCap.

Other holders and monolines could object that their deals had a greater concentration of harm from breaches of reps and warranties.
In addition, the various trustees could make a similar objection (in the BofA settlement, only BNY was a trustee, I believe) .

I would delete para 1(iii). The distribution rules that they mandate under para 2 might be inconsistent.

Para 2 -

There would be a potential REMIC issue if you deposit into the trust and distribute more than the actual amount of losses incurred by that trust to date. The Allowed Claim may not be large enough for that to occur, but if substantial losses are projected in the future for certain trusts, this might be a possibility. If any trust receives more than losses incurred to date, the solution would be to deposit the excess in a reserve account to be drawn upon as losses are incurred.

Para 2 - 4 . Some provisions in this agreement are or may be inconsistent with the documents. I realize there are trade offs between trying to get a settlement with KP and tracking the documents as closely as possible to try to avoid objections by trustees, monolines, etc. Examples of possible inconsistencies are: holding money that would otherwise go to REMIC residuals, [treating the Credit Support Depletion Date as having occurred notwithstanding these payments - this may be consistent with deals - I will check a sample], last sentence in para 4, and para 6. I think most of the terms in para 4 conform to the document provisions with the Subsequent Recovery term, but we don't have any concept of writing up principal balances of securities when there is not such a term. It makes sense to write up balances as we did when we added the Subsequent Recovery concept, but it wasn't contemplated in the earlier deals.

Para 3 - some deals with no REMIC residuals have another subordinate interest (usually called SB) that KP may not want $ going to. Maybe not our issue.

Para -4 5th line "previously allocated AND UNREIMBURSED Realized Losses" if this language stays in the agreement.

Last sentence is not clear. I think the intent is that the distribution of Claims will be made before giving effect to the balance increase.

Para 5 - is this intended to offset any amount of this recovery the monoline receives against their fraudulent inducement claims? If not, it might be worth clarifying what it is intended.

Para 6 - could be written more clearly. I think they are trying to say that any triggers that are determined by the amount of losses will not be recalculated as a result of these payments.

Please let me know if you have any questions or would like additional information.

Kathy
Katharine I. Crost
Attorney at Law
ORRICK, HERRINGTON & SUTCLIFFE LLP
tel 212-506-5070
fax 212-506-5151
Kcrost@orrick.com
www.orrick.com

----- Original Message -----
From: Levitt, Jamie A. [mailto:JLevitt@mofo.com]
Sent: Sunday, May 13, 2012 05:50 PM
To: John.Ruckdaschel@ally.com <John.Ruckdaschel@ally.com>; Crost, Katharine I.; lipps@CarpenterLipps.com <lipps@CarpenterLipps.com>
Cc: Timothy.Devine@ally.com <Timothy.Devine@ally.com>; Lee, Gary S. <GLee@mofo.com>; Princi, Anthony <APrinci@mofo.com>
Subject: FW: Settlement documents -- confidential

John, Kathy and Jeff,

Attached is Kathy Patrick's proposed allocation methodology -- she said
it comes largely from BoA. Can you give us your thoughts asap.

Thanks.

-----Original Message-----
From: Scott A. Humphries [mailto:SHumphries@gibbsbruns.com]
Sent: May 13, 2012 6:16 PM
To: Kathy D. Patrick; Princi, Anthony; Levitt, Jamie A.
Cc: Lee, Gary S.; Clark, Daniel E.; Newton, James A.;
nornstein@kirkland.com; Timothy.Devine@ally.com;
Ross.Martin@ropesgray.com; Keith.Wofford@ropesgray.com; Scott A.
Humphries
Subject: RE: Settlement documents -- confidential

This is the allocation methodology revised. Paras 2-6 are new.

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A. 70

MORRISON | FOERSTER

755 PAGE MILL ROAD
PALO ALTO
CALIFORNIA 94304-1018

TELEPHONE: 650.813.5600
FACSIMILE: 650.494.0792

WWW.MOFO.COM

MORRISON & FOERSTER LLP

NEW YORK, SAN FRANCISCO, LOS ANGELES, PALO ALTO, SACRAMENTO, SAN DIEGO, DENVER, NORTHERN VIRGINIA, WASHINGTON, D.C.

TOKYO, LONDON, BRUSSELS, BEIJING, SHANGHAI, HONG KONG

November 4, 2012

Writer's Direct Contact
650.813.5866
DRains@mofo.com

The Honorable Martin Glenn
United States Bankruptcy Court
One Bowling Green
New York, New York 10004

Re: In re Residential Capital, LLC, et al. (Case No. 12-12020 MG)

Dear Judge Glenn:

The Debtors write in response to the letters sent to the Court late Friday by counsel for MBIA Insurance Corporation ("MBIA") and Financial Guaranty Insurance Company ("FGIC").

Both letters join in the arguments made by the Official Committee of Unsecured Creditors (the "Committee") for the production of 367 documents that were the subject of a claw back request initiated by Ally Financial, Inc. ("AFI"). The letters also make new arguments about the respective roles of counsel for AFI and the Debtors, and about the merits of the RMBS settlement now under consideration by the Court.

On the first issue – the claw back request – the Debtors largely incorporate by reference their response to the Committee's letter. The Debtors then separately address the second and third issues – AFI's and the Debtors' representation by counsel, and the merits of the RMBS settlement.

I. MBIA and FGIC Have Breached Their Obligations Under Their Confidentiality Agreements By Refusing to Honor the Claw Back Request.

MBIA's and FGIC's letters largely repeat the arguments made by the Committee concerning the claw back request. Their arguments are misleading for the same reasons as the Committee's.

Both letters, for example, resist AFI's effort to claw back 367 documents, even though MBIA and FGIC knew, before sending their letters, that AFI had shortened its list to 109 documents. Both MBIA and FGIC, like the Committee, are parties to confidentiality agreements with the Debtors and, like the Committee, both MBIA and FGIC had immediate and automatic obligations to return or destroy the documents identified in the claw back request regardless of their views about the merits of that request. MBIA and FGIC are both in breach of their obligations under their agreements for failure to comply with AFI's claw back request. MBIA's and FGIC's letters both improperly cite to and disclose privileged information in further breach of their confidentiality agreements. And both MBIA and FGIC, like the Committee, have failed to engage in any meet-and-confer discussion with the Debtors regarding the arguments contained in their letters. They have completely by-passed the Debtors and made their arguments, asserted for the first time, directly to the Court.

For these reasons, explained more fully in the Debtors' response to the Committee, the Debtors respectfully request that the Court compel MBIA and FGIC to:

- Immediately comply with their obligations under their confidentiality agreements by returning or destroying the documents subject to the claw back request;
- Immediately withdraw their disclosures of privileged documents and take all steps necessary to protect those documents from further disclosure;
- Withdraw their current requests for the production of privileged information until they have complied with their meet-and-confer obligations.

II. MBIA and FGIC Misrepresent the Facts Regarding the Debtors' and AFI's Legal Representation.

Large portions of FGIC's and MBIA's letters are devoted to setting up, and then knocking down, a straw man. The straw man is the false notion that Tim Devine – AFI's chief of litigation – acted as the legal counsel for the Debtors in negotiating the RMBS settlement.

Both MBIA and FGIC base their arguments on this fiction. According to MBIA, the Debtors' "current position" is "that Mr. Devine acted as an attorney on the Debtors' behalf in connection with the analysis and negotiation of the proposed RMBS settlement agreement." (MBIA Letter, dated November 2, 2012, at p. 2.) FGIC's letter makes the same assertion: "several members of Ally's legal department jointly represented Ally and Debtors in connection with various matters including the negotiation of the RMBS Settlement Agreement pre-petition as well as other matters post-petition." (FGIC Letter, dated November 2, 2012, at p. 1.)

The truth is very different. It has not changed, and it has been consistently explained to all parties, including MBIA, FGIC, and the Committee.

Before the ResCap entities filed petitions in bankruptcy, AFI's legal department – and, in particular, Tim Devine, AFI's chief of litigation – provided legal advice directly to the

12-12020-mg Doc 2820-5 Filed 11/02/12 Entered 11/02/12 13:16:06 Main Vol. 5 A 66 Pg 18 of

Debtors in connection with litigation involving third parties. ResCap's own legal department worked with in-house litigation lawyers from their parent company on RMBS litigation matters.

It was, of course, entirely appropriate for the Debtors to have attorney-client relationships with AFI's in-house lawyers in connection with litigation matters as to which AFI and the Debtors shared common legal interests. In those cases, the Debtors and AFI shared interests in assessing their risks and litigation exposure, and in coordinating their common defense strategy. *See Bowne of New York City, Inc. v. AmBase Corp.*, 150 F.R.D. 465, 491 (S.D.N.Y. 1993) ("courts have upheld the privilege for communications shared by the parent with its wholly-owned subsidiary . . . upon a showing that a common attorney was representing both corporate entities or that the two corporations shared a common legal interest"); *Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc.*, 215 F.R.D. 466, 474 (S.D.N.Y. 2003) (no waiver of privilege for shared communication with affiliated corporation where "the entities were represented by a common attorney, or shared a common legal interest").

In anticipation of the filing of bankruptcy petitions, AFI's legal department formally severed all legal connections to the Debtors. Neither Mr. Devine nor any other member of AFI's in-house legal department has had an attorney-client relationship with the Debtors since then. But, in light of this separation, the Debtors and AFI have entered into a joint defense agreement with regard to ongoing litigation, and they continue to cooperate in a limited fashion regarding the defense of cases involving third parties. AFI and the Debtors share common legal interests with regard to the defense of these matters.

But AFI's in-house lawyers did *not* provide legal representation to the Debtors in connection with the RMBS settlement. In the RMBS settlement negotiations, as well as in the negotiations surrounding the related plan support agreements, AFI's in-house lawyers represented AFI's interests. The Debtors' interests were represented by the Debtors' own in-house attorneys – Tammy Hamzehpour, John Ruckdaschel, and Bill Thompson – and the Debtors' lawyers at Morrison & Foerster.

MBIA, FGIC, and the Committee know all these facts. The Debtors have consistently informed all parties that, in the Debtors' view, a line must be drawn between matters as to which AFI and the Debtors shared counsel and/or a common legal interest, on the one hand, and matters relating to the negotiation of the RMBS settlement agreement, on the other. The Debtors have consistently asserted the attorney-client privilege and common interest doctrine to protect communications regarding the Debtors' and AFI's litigation against third parties. And the Debtors have consistently acknowledged that no privilege protects communications between the Debtors and AFI regarding the negotiation of the RMBS settlement, because AFI's in-house lawyers did not represent the Debtors in those negotiations, and because AFI and the Debtors did not share common legal interests in those negotiations.

The Debtors' view on these matters is well-known to MBIA, FGIC, and the Committee, because the Debtors informed them that it disagreed with AFI's initial efforts to assert common interest protection with regard to the RMBS settlement negotiations. The Debtors even gave the Committee a chart showing that, with regard to the 367 documents on AFI's original claw back list, the Debtors believed only 109 documents were properly subject to privilege, while the remaining 258 documents – including all those concerning the RMBS settlement negotiations -- were not covered by privilege.

Only by ignoring these well-known facts can MBIA and FGIC argue that Tim Devine "simultaneously represented" both AFI and the Debtors. (FGIC Letter, dated November 2, 2012, at p. 3.) Only by ignoring these facts can FGIC argue that the Debtors' joint defense agreement with AFI is "directly contrary to the prior representations Debtors and Ally have made to the Court." (*Id.*, at p. 2.)

MBIA's and FGIC's arguments, then, do not advance their position. They argue for the production of 367 documents on the ground that, with regard to the RMBS settlement negotiations, the Debtors and AFI could not properly have had privileged communications. But the Debtors never asserted they did, and AFI came around to this view before MBIA and FGIC submitted their letters. MBIA's and FGIC's letters thus succeed only in knocking down a straw man.

III. FGIC Misrepresents the Debtors' and AFI's Goals In Negotiating the RMBS Settlement, Plan Support Agreements, and the Debtors' Settlement With AFI.

FGIC's letter goes on to make an argument not included in either MBIA's or the Committee's submissions. FGIC contends that the Debtors' "paramount goal" in the RMBS negotiations was "obtaining a third party release, as well as an estate release, for Ally's benefit." (FGIC Letter, dated November 2, 2012, at p. 4.)

Now is not the right time for a full rebuttal of this charge. But the very documents cited in FGIC's letter refute FGIC's allegations. So a brief review of those documents, and what they say, is in order.

The RMBS settlement negotiations involved three parties with different interests. The institutional investors wanted to obtain the largest possible allowed claim against the estate. AFI wanted support for a plan that would include a release from the Debtors as well as releases in its favor as against third parties. It also wanted to minimize the size of its payment to the Debtors.

The Debtors wanted to obtain the best outcome for creditors, which involved (i) obtaining the smallest possible allowed claim against the estate, (ii) obtaining the largest possible contribution to the estate from AFI, and (iii) concluding as many pre-negotiated elements of the bankruptcy filling as possible, so as to ensure a clean sale of the Debtors' operating businesses. The documents referenced in FGIC's letter demonstrate that the Debtors achieved these goals.

The documents show that the Debtors and AFI worked together to negotiate for the smallest possible allowed claim for the institutional investors. The Debtors, with AFI's help, argued strenuously with the institutional investors over the proper ways to assess the size and risks of their claims, including arguing for lower defect rates, lower breach rates, lower projected future losses, larger discounts for litigation risks, and the like. The Debtors succeeded in negotiating the institutional investors down from initial demands of from $11 to $13 billion to the final agreed-upon $8.7 billion allowed claim.

These facts are devastating to the creditors objecting to the proposed settlement. Their theory is that the Debtors' settlement is too high, and that the Debtors proposed it as a favor to AFI. But the documents show the Debtors and AFI worked together to achieve the lowest possible allowed claim. The documents referenced in FGIC's letter put the lie to the creditors' theory of the case.

FGIC's documents also demonstrate that the Debtors achieved the best possible contribution from AFI. AFI initially refused to offer any money in return for a release from the Debtors. By the time the negotiations had ended, AFI offered a "Hard stop at 750 + 200 + 100." (FGIC Letter, dated November 2, 2012, at p. 3.) The Debtors successfully negotiated for a $1.05 billion contribution from AFI as its contribution to the Debtors. All this money inures directly to the benefit of the creditors.

A key inducement to AFI for this contribution, of course, was the Debtors' agreement to propose a plan offering releases, including third party releases, in favor of AFI, and also the Debtors' success in obtaining plan support agreements from the institutional investors. The documents referenced in FGIC's letter show AFI's in-house attorney, Tim Devine, negotiating aggressively to obtain support for a plan including third party releases. That is not surprising. AFI had every right to seek to advance its own interests, and AFI was, at the same time, responding to the Debtors' demands for an increased contribution from AFI.

The Debtors believe that AFI's $1.05 billion support contribution is fair value for the releases to be included in the Debtors' plan. It is worth noting, moreover, that the RMBS settlement is not conditioned upon approval of the Debtors' plan. The Court may approve the proposed settlement without approving the Debtors' plan, or without approving third party releases in favor of AFI. The settlement will remain in place regardless of the outcome of the Debtors' plan.

The documents also show the Debtors were successful in concluding key pre-petition agreements so as to ensure a clean sale of the Debtors' operating businesses. Those agreements, including the RMBS settlement agreement and related plan support agreements, were critical to the success of the sale of the operating businesses, the proceeds of which inure to the direct benefit of the creditors. The results of the Debtors' strategy, and the recent auction and sale, speak for themselves.

FGIC's letter, then, does not show that the Debtors' "paramount goal" was "obtaining a third party release, as well as an estate release, for Ally's benefit." (FGIC Letter, dated November 2, 2012, at p. 4.) Quite the opposite. The documents referenced in FGIC's letter show the Debtors successfully getting the lowest possible allowed claim for the institutional investors, while getting the maximum available contribution to the estate from AFI and achieving the greatest recovery from the sales of the Debtors' operating assets.

MBIA and FGIC have not offered any valid argument for lifting the protection of the attorney-client privilege, work product doctrine, or common interest doctrine. They have not shown any conflict of interest regarding the Debtors' legal representation, and they have not succeeded in undercutting the merits of the proposed RMBS settlement. Their requests for production of documents should be denied.

Respectfully submitted,

Darryl P. Rains

A. 71

From: Devine, Timothy
Sent: Thursday, December 15, 2011 2:43 AM
To: Hamzehpour, Tammy
Cc: Solomon, William Legal; Hagens, David; Ruckdaschel, John
Subject: FW: Confi and Tolling Agreement

Pursuant to our plan, I will reach out to Kathy Patrick by email letting her know that Tammy has forwarded me the correspondence and asked me to follow up. First step: requesting confirmation of her representation by clients. Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Hamzehpour, Tammy
Sent: Wednesday, December 07, 2011 12:53 PM
To: Devine, Timothy; Hagens, David; Ruckdaschel, John
Subject: FW: Confi and Tolling Agreement

fyi

From: David Sheeren [mailto:dsheeren@gibbsbruns.com]
Sent: Wednesday, December 07, 2011 11:24 AM
To: Hamzehpour, Tammy
Cc: Kathy D. Patrick; Scott A. Humphries
Subject: Confi and Tolling Agreement

Tammy,

Attached for your review, please find a draft Confidentiality Agreement and a draft Tolling Agreement.

Best regards,
David

David Sheeren
Gibbs & Bruns LLP
1100 Louisiana, Suite 5300
Houston, Texas 77002
713.751.5207 (o)
713.459.6278 (c)

EXHIBIT
PENGAD 800-631-6989
9019-24
11/19/12

A. 72

Outlook E-mail

From: Hamzehpour, Tammy
Sent: 4/23/2012 8:54:01 PM
To: Devine, Timothy
Subject: RE: Prep for KP

Yes, let's walk through it tomorrow. I'm fine with not raising her expectations, so long as (to your point) there are analytics to support what we would show her. I can't speak as to the proposed settlement with AFI, as MoFo is much closer to that than I am. We can cover in the same conversation.

Tammy

-----Original Message-----
From: Devine, Timothy
Sent: Monday, April 23, 2012 8:38 PM
To: Hamzehpour, Tammy
Subject: Prep for KP

Tammy:

Thinking of waterfall for KP.

Would like to recommend 3, 4, 6 rather than 4, 5, 6 as low medium high. Thought is that we creat flexibility for discussion re potential losses beyond reserves. I will provide analytics to demonstrate how one could get to 3, 4 or 6. Point is not to persuade KP that such range is correct. She will have strong instinct to dispute it as unrealistically low. We are ok with her informing us otherwise, so long as she comes away knowing that ratcheting up those ranges leads automatially to lower percentage recoveries, by simple math in light of afact that there will only be X or Y real dollars available. What we will sell, though, is basedon strength of Gary's waterfall presentation as btwn GMACM and RFC in the two scenarios. The message to her will be clear - get on board.

Finally, I recommend we use 750 million rather than one billion as potential AFI contribution. I don't have basis to say it should be a billion, and it would be better to leave some room for negotiation. If we want to use a billion we will need clearance from AFI and I haven't spoken to Mike.

I recommend we take advantage of tomorrow's meeting of you, me, Kirkland and MoFo to run through the KP draft slides. Your thoughts?

Thanks.

Tim

EXHIBIT
PENGAD 800-631-6989
9019-79
11/13/12

A. 73

From: Devine, Timothy
Sent: 5/13/2012 2:36:01 PM
To: Levitt, Jamie A.; Ruckdaschel, John; Ornstein, Noah; 'rschrock@kirkland.com'; 'RCieri@kirkland.com'; Lee, Gary S.
Subject: FW: great news and very important note

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Sunday, May 13, 2012 2:28 PM
To: Devine, Timothy; 'Talcott J. Franklin'
Subject: RE: great news and very important note

Tal: need to close now – you have all my apologies – the machine is grinding – ceo will give embargoed interviews etc – final 8Ks – it's all going in – this is my last chance ot get you in the deal pre-filing – and in my mind that makes a ton of difference for you and your clients…

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Sunday, May 13, 2012 12:35 PM
To: Talcott J. Franklin
Subject: RE: great news and very important note

I can try to call you but on phone now with CEO and making range of final decisions before 1pm bd mtg. I can't expose Ally to any claims however remote.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Talcott J. Franklin [mailto:Tal@talcottfranklin.com]
Sent: Sunday, May 13, 2012 12:16 PM
To: Devine, Timothy
Subject: Re: great news and very important note

Please call me. 214.642.9191.

Sent from my iPhone

On May 12, 2012, at 1:28 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

Tal: first – great news that your clients are on board. As you and I said, this deal is starkly superior to any of the alternative scenarios for all concerned. And thank you for speedy work. I know that you invested a great deal of effort to be prepared for a speedy turn on the documents.

Second – very, very important: we need the cusip level holdings of the clients – like yesterday. The value of this settlement is that we have X% footprint out of all the certificates issued. And X is big. So that increases the chances that it will actually be approved. And we need 100% reliability and credibility, for all of us, when we represent the holdings of the consenting claimants. I know you get this but I'm reaching out to you personally because we need absolute full court press to get all this lined up so our folks can bake maximum X with accuracy and credibility into their very first statements that support the Plan, tomorrow.

Thanks again.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

A. 74

In Re:

RESIDENTIAL CAPITAL, LLC, et al.

Case No. 12-12020-mg

October 10, 2012

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eScribers, LLC

(973) 406-2250

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UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

Case No. 12-12020-mg

- -x

In the Matter of:

RESIDENTIAL CAPITAL, LLC, et al.,

Debtors.

- -x

United States Bankruptcy Court

One Bowling Green

New York, New York

October 10, 2012

10:04 AM

B E F O R E:

HON. MARTIN GLENN

U.S. BANKRUPTCY JUDGE

THE COURT: Mr. Bentley?

MR. BENTLEY: -- we are satisfied with the new hearing date, Your Honor.

THE COURT: All right. I know you wanted more than the three days, though, I gather?

MR. BENTLEY: That's correct, Your Honor. We don't completely agree with the way our position was characterized, but that is an issue we wanted to raise.

THE COURT: Okay. All right.

Come on up to the microphone.

MR. LEMAY: Your Honor, David LeMay for the examiner. I think all I'd like to do right now is just put a pin in an issue relating to timing of the examination as it relates to this process. And perhaps if I could bother Your Honor for about three minutes when all is done --

THE COURT: It's not a bother.

MR. LEMAY: -- I'd like to talk to you, at that time.

THE COURT: All right.

MR. LEMAY: Thank you.

THE COURT: Okay; all right.

MR. PRINCI: Your Honor, with respect to the specific issues -- and as you correctly point out, that they are issues having to do with how we get from here to there; "there" being the new proposed dates for the hearing of January 14, 15, and 16 -- what I'd like to do is address the one matter that Mr.

Bentley raised, and that's the time for the hearing. And then I'm going to ask my partner, Mr. Rains to address the other particular issues, since he was closer to the negotiations that occurred over the last twenty-four hours.

Judge, with respect to the amount of time for the hearing, two things. Number one is we heard the Court, or so we understood the Court to be saying that this hearing was going to be three days. The reality is, Judge, this is either a hearing on the 8.7 with the all Iridium factors -- and we understand that one of them is the question of whether the negotiations were arm's-length -- or it's going to be some sort of duplication of the efforts the examiner is doing, and an opportunity for people to try to use this hearing for that purpose.

The seventh factor in the Iridium factors, the arm's-length negotiations, in this case, given the facts, doesn't pertain to the negotiations between the two parties, i.e., the ResCap debtors and the counterparties and institutional investors. What people are complaining -- and Your Honor knows this and we know this -- those people are alleging that, in essence, Ally, our parent company, was a puppeteer; we were the puppet; and they used the puppet to promote a settlement with the institutional investors that wasn't meritorious on its face, wasn't designed for that purpose, and was designed instead to procure the consent of the institutional investors to enter into the plan support agreement which has third-party releases proposed in connection with the plan. So that's -- those are the allegations.

Those allegations are being reviewed by the examiner. We have a concern, Judge, that there is a disproportionality now, and to a great degree, with respect to that one factor in the Iridium factors. And we say this, Judge, because at the end of the day, it seems to us, and we submit to the Court, that if we were to prove to the Court that 8.7 falls within the range of reasonableness for both parties, and yet let's just hypothesize, Judge, that Your Honor should conclude that the reason we really did that, wasn't because we were interested in the interests of the estate, but we were only interested in trying to get the parent company a release; at the end of the day, we would submit, Your Honor, that the way the Iridium factors work, it would still be appropriate and indeed necessary for the Court to hold that the 8.7 is a fair settlement.

THE COURT: I disagree.

MR. PRINCI: Okay.

THE COURT: The seven Iridium factors, some of which may or may not be applicable in each case, are seven nonexclusive factors; and no one is determinative. So when I say I disagree, your -- the proposition you assert -- have asserted that simply because the amount is within the range of reasonableness, the Court is required to approve the settlement, I don't read Iridium that way. I don't read TMT Trailer Ferry that way. I don't read the other cases regarding approval of 9019 settlements that way.

It is -- that isn't to say that I would conclude it can't be approved. You seem to be arguing that the Court has no alternative at that point, but to approve it. I don't agree with that statement.

MR. PRINCI: Understood, Your Honor. I think the way we -- what the debtors would argue, Your Honor, Iridium stands for, is that --

THE COURT: Because -- wait a second --

MR. PRINCI: Yes.

THE COURT: -- Mr. Princi. 8.7 could be a dollar value within the range of reasonableness, but the other settlement terms may be such that the settlement should not be approved. Okay? I don't know whether that's the case. I'm not making any determination. The parties will lay out their positions. But you shouldn't think you're going to come into the hearing and simply -- because you've asserted this position and you can carry forward with it, if you wish. But it's not my understanding of the law.

You've been consistent in articulating the view that the only issue for the Court at the settlement hearing is whether the 8.7 billion dollars is above the lowest point in

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UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No.

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

-----------------------------------x

VIDEOTAPE DEPOSITION OF JOHN RUCKDASCHEL

New York, New York

November 8, 2012

9:37 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27643

November 8, 2012

9:37 a.m.

Deposition of JOHN RUCKDASCHEL, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

JOHN RUCKDASCHEL

settlement and the ResCap settlement?

A. I was not.

Q. On a different topic for a second.

The RMBS settlement was executed with the institutional investors and not the trustees, that's right?

A. That's -- that's my understanding how it works.

Q. Is your understanding that only the trustee has the authority to make the claim?

A. To make the?

Q. The claim.

A. The claim?

Q. Yeah.

A. I don't have an understanding one way or another on that point. I haven't -- I haven't given it any thought.

Q. In analyzing the governing contracts, did you look at who has the authority to make the claim?

A. The -- the way that the PSAs read is it says no -- no bondholder shall

JOHN RUCKDASCHEL

have any rights other than if they, as we discussed earlier, satisfy certain conditions, one of which is that they are a 25 percent or greater holder of that class and they have to -- that gets them -- they can direct the trustee if they provide the trustee some form of indemnification. And I think it goes on to say and the trustee doesn't take any additional -- additional action.

So if you are asking -- go ahead.

Q. So my question is they have the ability to direct the trustee if they provide the trustees with some form of indemnification. Do you know if --

A. That's not what the document says.

Q. I thought that's what you just said.

A. It says no bondholder shall have any -- any right unless the following has occurred and unless the trustee isn't taking any action. So the -- the advice

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UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

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In Re: Case No:

RESIDENTIAL CAPITAL, LLC, et. al, 12-12020(MG)

Debtors.

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DEPOSITION OF FRANK SILLMAN

New York, New York

November 20, 2012

9:35 a.m.

Reported by:
ERICA L. RUGGIERI, RPR
JOB NO: 27687

November 20, 2012

9:35 a.m.

Deposition of FRANK SILLMAN, held at the offices of Kramer, Levin, Naftalis & Frankel, 1177 Avenue of the Americas, New York, New York, pursuant to Notice, before Erica L. Ruggieri, Registered Professional Reporter and Notary Public of the State of New York.

FRANK SILLMAN

Q. You've done some work for the debtors, is that correct, prior to your engagement in this matter?

A. Yes.

Q. Tell me what work you've done for the debtors.

A. We did some consulting work with them. We also reviewed loan files for them in relation to some potential litigation and -- litigation they had at the time.

Q. Over what period -- over what period have you done work for the debtors prior to -- strike that. Let me start again and try to be a little clearer.

In this matter, when were you first contacted?

A. I believe it was May of this year.

Q. It was after the settlement agreement had been executed?

A. Yes.

Q. Prior to that time, over what period had you been doing work for the to come to any conclusions on breach rates.

Q. Is part of the problem that an awful lot of this data is simply not publicly available?

A. Yes.

Q. And let me now broaden the question. Suppose the question is if you are asked to determine how the rates of alleged rep and warranty breaches compare as between any particular types of loan products, is that a question that can be answered using publicly available data?

A. Again you are asking for industry wide comparisons?

Q. Correct.

A. I'm not aware of any publicly available data that would allow for a credible comparison between originators.

Q. I'm talking about loan types?

A. I'm sorry.

MR. RAINS: Products.

A. Yeah, products. You are talking about rep and warrant violations.

FRANK SILLMAN

Q. Correct. And suppose now we modify the question so we are not asking about alleged breach rates but instead we're asking about what you call loss share rates. Could that question be addressed using publicly available data?

A. There have been some expert reports that you can discern the loss share rates from. The issues with that is the underlying data you don't have access to so I can't opine on whether or not that's comparative to the debtors proposed settlement because the data behind those reports are not publicly available.

Q. And which expert reports are you referring to?

A. The Bank of America expert report and the Lehman expert declaration.

Q. Now, I'm not asking you about discerning loss share rates as to any particular seller but rather as to industry averages. Is there publicly available data from which one could reach meaningful conclusions about average

FRANK SILLMAN

industry loss share rates?

A. On a product by product basis?

Q. Yes.

A. I'm not aware of any credible sources that I have been able to evaluate their underlying data that provide that information.

Q. And now let me ask the same question but as to vintages. Is there publicly available data from which one could reach meaningful conclusions about how loss share rates varied depending on the loan's vintage?

A. Again, I'm not aware of any data that's available that you can reach credible conclusions and that I have been able to view the underlying data behind that.

Q. In your -- strike that.

So now let's turn away from industry averages and turn back to your personal experience. In your personal experience is the vintage of a loan a factor that can affect the likelihood of a this paragraph is what I'm going to focus on. It says, "I was asked to provide an independent assessment of the total allowed claim as defined in the RMBS Trust Settlement Agreements and opine as to its reasonableness."

Do you see that?

A. Yes.

Q. And the total allowed claim, that's $8.7 billion?

A. Yes.

Q. Who first contacted you about this matter?

A. Jen Battle.

Q. When did she contact you?

A. I believe it was early May but, you know, I'm not positive as to the date. But that's around the time.

Q. She contacted you after the debtors had entered into the RMBS Trust Settlement Agreement?

A. Yes.

Q. And I can tell you that that agreement was executed on May 13th.

FRANK SILLMAN

files.

Q. And anything -- anything else other than the documents you already mentioned, plus loan files? That is, are your clients -- are your colleagues going outside the loan files?

A. You know, I'd have to look at the audit strategy document for this review to answer that question. I just don't recall whether we are or are not.

Q. Let's turn back to paragraph 5. And I'm going to ask you about the third sentence of the paragraph which states, "However, I take no position on the ability of any party to prove a breach of representations and warranties under the governing agreements and I assume for the purposes of this declaration that such a showing can be made against the debtors."

Do you see that?

A. Yes.

Q. Can you explain what you mean by that?

A. I don't know. I think I have

said it in the paragraph.

Q. So is it fair to say you are not opining as to whether any of the claims have legal merit?

A. Whether they would be able to prove breaches of reps and warrants, yeah, under the governing agreements.

Q. Or prove the requirements of put back?

A. Correct.

Q. And by the way, you don't claim to have any expertise in that issue, do you?

MR. RAINS: Objection, vague and ambiguous.

A. Which area is that?

Q. Whether put back is legally required?

A. I didn't render any legal -- I don't have any legal training and didn't provide any legal recommendations under this work.

Q. And you don't claim to have the expertise needed to provide legal opinions, right?

A. Correct.

Q. And you are not expressing a view, I take it, as to whether any of the debtors' legal defenses have merit?

A. Correct.

Q. And you are also not expressing a view as to whether the facts relating to any of the loans in the pool being settled would legally warrant put back?

A. Yeah. I'm not making a legal assessment.

Q. Am I correct you've made no attempt to determine the, what portion of the loans in the pool actually breach reps and warranties?

A. The work that I'm depending on or relying on is the repurchased, GSE repurchase rate work that was done between Fannie, Freddie and the debtor where they reviewed thousands of loans over a number of years and looked at the actual loan by loan file review and availed themselves to the defenses of the governing agreements

FRANK SILLMAN

(Record read.)

MR. RAINS: Same objections.

A. I relied on the GSE repurchase work that the debtor did with Fannie and Freddie.

Q. To date have you looked at any loan file for any of the loans within the pool that's being settled?

A. We are in the process of reviewing the loan files.

Q. Have you yet looked at any loan files?

MR. RAINS: You mean him personally or Fortace?

Q. Let's break it into pieces. Have you personally looked at any loan file?

A. I have not looked at the loan files.

Q. Prior to your signing your June 11 declaration, did anybody at Fortace look at any of the loan files for the loans being settled?

A. I relied on, we relied on, the

FRANK SILLMAN

work that the debtor did with the GSE repurchases in forming the assumptions and conclusions in my original declaration.

Q. So that's a no?

A. I relied on --

MR. BENTLEY: Read back my question.

Q. It's a very simple factual question. I'm not asking you what you relied on. I'm asking you whether you looked at any loan files?

MR. BENTLEY: Read it back, please.

(Record read.)

MR. RAINS: Objection, vague and ambiguous. Asked and answered.

A. I relied on the work that was done by the debtor as part of their GSE repurchase for the conclusions and assumptions made in my original declaration.

Q. And you didn't look at any loan files?

A. I relied on the GSE repurchase

FRANK SILLMAN

work.

Q. Did that involve looking at any loan files?

A. It revolved relying on the loan file reviews that the debtor performed.

Q. Is there a reason you are resisting answering a simple question?

MR. RAINS: Objection. Argumentative. Asked and answered.

MR. BENTLEY: It's not asked and answered for Christ's sake, Darryl. Read it back.

MR. RAINS: Of course it has. It's been asked 15 times and --

MR. BENTLEY: Is the answer no? Because I sure can't tell what the answer is.

MR. RAINS: I think his answer is very clear.

MR. BENTLEY: The answer is he did something else, it's not whether he did this or not.

MR. RAINS: That's his answer. You don't like his answer but it's his

FRANK SILLMAN

answer.

MR. BENTLEY: I'm fine with his answer, he just hasn't answered my question.

Can you read it back, please.

MR. RAINS: Let's do this, let's take a quick break.

MR. BENTLEY: You know what, I want an answer to my question before you speak --

MR. RAINS: I'm going to talk to him about his answer to your question.

MR. BENTLEY: I object. You are not supposed to talk to the witness while a question is pending.

(Whereupon, there is a recess in the proceedings.)

MR. RAINS: I think we have succeeded in clearing up some of the ambiguities and confusion caused by your question. Why don't you put the question to him again.

Q. I know it's very confusing but I'll state it again. In connection with

FRANK SILLMAN

forming the opinions expressed in your June 11 declaration, did you or any of your colleagues look at any of the files for the loans in the pool being settled.

A. For the, my original declaration I relied on the work that was done by ResCap and the repurchase activity. We are now looking at loan files. We are currently looking at loan files.

Q. So let's just unpack what you just said. You relied on the work that was done by ResCap. What work are you referring to?

A. To GSE and private label repurchase activity work ResCap did.

Q. Understood. But was that as to any of the loans that are in this pool that's being settled?

A. There may be in the private label securities work loans that are included in this settlement. The vast majority of the loans were related to their GSE originations.

Q. And none of the GSE deals

overlap in any way with this settlement, right?

A. Correct.

Q. Were you relying, when you prepared this report, on any work that RFC had done in looking at the loans that are part of this settlement?

A. Yes. We did review some information regarding their private label securitization repurchase work. What we found, I think there's an exhibit, that the vast majority of those repurchase demands were unresolved.

Q. So I'm going to return to that. I know what you are referring to. Putting aside any loan reviews that RFC may have done in connection with its prepetition put back experience, did you or any of your colleagues look at any loan files in connection with the work that went into your June 11 report?

A. We relied on the company's work for the information in the original declaration and we are now looking at loan

FRANK SILLMAN

files that are contained within the 392 trusts.

Q. And when you say the company's work, are you referring to anything other than the work the company did prepetition in connection with its prepetition put back negotiations?

A. Yeah. It was prepetition work.

Q. In connection with -- done by the debtor in connection with its prepetition put back experience?

A. Yes.

Q. And no other review of loan files went into your, the conclusions expressed in your June 11 declaration?

A. That's right.

Q. Okay. We are there. We got an answer. Thank you. Let's move on.

A. I would say no additional loan work.

MR. BENTLEY: I'm about to change topics. If people want to take a break, this is fine or we can keep going.

FRANK SILLMAN

claim for 8.7 billion. So I took into consideration the 1.3 billion and the fact that the trustees had also negotiated an allowed claim of 8.7. So I had to take into consideration the fact that there was a claim.

Q. So one of the things you took into consideration in forming your conclusion was that the debtors had agreed to an aggregate settlement of $8.7 billion?

A. We are talking about the PLS demand data. I could not ignore the fact that in addition to the 1.3 billion in demands there was also a proposed settlement of 8.7 billion. So it was a factor in the development of my declaration.

Q. Let's go back to paragraph 5 of your declaration.

MS. PATRICK: 5?

MR. BENTLEY: Correct.

MR. RAINS: I'm sorry, where?

MS. PATRICK: 5.

were referring to a few minutes ago?
A. Yes.
Q. The calculations you used to derive the audit rate ranges shown in the table on paragraph 53 of your report?
A. Right. The total average of 65 percent and 69 percent.
Q. Okay. But how did you compute each of the individual ranges shown on this table? For example, the first line, trusts, liquidated loans, a range of 70 to 75 percent. How did you compute those numbers?
A. That was based on my professional experience with audit rate percentages.
Q. So do you compute it or did you just -- does that number -- is that number the product of any calculations?
A. It's the product of my professional experience. There's not an additional calculation.
Q. You just came up with that number?

FRANK SILLMAN

A. I didn't just come up with it. It's based on my professional experience.

Q. How did you come up with it?

MR. RAINS: Objection. Asked and answered.

Q. How did you pick 70 percent rather than 60 or 80 percent?

MR. RAINS: Asked and answered.

A. I came up with it based on my professional experience. I developed a range to take into consideration the variability of each one of these categories.

Q. Did you compute any of the numbers shown in paragraph 53 other than the average that's shown at the bottom of the table?

A. The assumptions for each wouldn't delinquency buckets were based on my professional experience.

Q. But you didn't perform any calculations to derive any of these numbers?

MR. RAINS: Which numbers?

FRANK SILLMAN

MR. BENTLEY: All of the numbers in the table in paragraph 53 other than the total average numbers shown on the last line.

A. The numbers for each of those are assumptions based on my professional experience. So I developed those assumptions and input them into the model.

Q. How did you develop them? Were there any steps that went into the development?

A. Based on my professional experience for these categories of loans that's how I developed the assumptions.

Q. Did you start with the total average range of 65 to 69 and then back into the component ranges?

A. I did not.

Q. And can you shed any more light on how you came up with the various ranges shown here, other than the total average range?

A. Based on my professional experience.

FRANK SILLMAN

Q. It wasn't a quantitative calculation?

A. It wasn't a -- you are asking me is this a product of a mathematical equation?

Q. Correct.

A. It was -- these individual assumptions were not the product of an additional mathematical equation. They were based on my professional experience.

Q. And there's no backup to these numbers?

A. There is no -- there's no other data to support these numbers other than my professional experience.

Q. If I ask you the same questions about the numbers shown in the table on paragraph -- in paragraph 56 of your report are your answers the same?

MR. RAINS: Objection. Vague and ambiguous. Compound.

MR. BENTLEY: You can walk through all these questions again, Darryl.

FRANK SILLMAN

don't recall -- I didn't receive this e-mail. I don't recall whether or not I received any red line comments regarding assuming liability for purposes of his analysis. So I don't recall whether or not I did or didn't. But I did not receive this e-mail.

Q. Were you aware during the course of receiving comments on your declaration that comments were coming in from Kirkland & Ellis, who represents Ally, and from Kathy Patrick, who represents a group of trustees?

MS. PATRICK: Objection, form.

A. I was aware that Jen Battle was reviewing my declaration. I was not aware of any comments from Kathy Patrick.

MR. RAINS: Or Kirkland & Ellis.

A. Or Kirkland & Ellis, I'm sorry.

Q. One last question. When was it conveyed to you that the settlement was for $8.7 billion? At what point following your retention was that information conveyed to you?

FRANK SILLMAN

A. I don't recall the date. We met in New York. I don't recall the date. But I can get you that date. I just don't have it off the top of my head where we discussed retaining Fortace to be the expert on this engagement. I don't recall when the $8.7 billion figure of the allowed claim was provided to me. It's possible that I received at that meeting a copy of the settlement agreement or it may have been e-mailed to me after that meeting. Somewhere around that time that we met in New York. But I don't remember when.

Q. So at the outset or very early on before the analysis?

A. Early in my engagement, yes. Before my -- yes, before I began my analysis I received a copy of the settlement agreement.

Q. Okay.

MS. BRADY: That's all I have for you, Mr. Sillman. Thank you.

BY MR. BENTLEY:

FRANK SILLMAN

A. I did the calculations to come up with the 7 to 9 percent.

Q. Can you show me the calculation?

A. I don't have them written anywhere. I did the calculations to determine what I thought the assumptions should be.

Q. Did you do in your head?

A. Yes.

Q. Wow. Can you repeat it for me, please. Because you are way better than me at math I think.

A. I looked at the agree rate differences between the two.

Q. I understand the concepts you explained. But what I'm trying to ask you is was there then a calculation, a series of numbers, addition, subtraction, division, anything like that?

A. There was assumption I developed from that information that I discussed to come up with the 7 to 9 percent.

Q. So did you just take the percentages in Exhibit A that we were

FRANK SILLMAN

discussing and then apply your professional judgment based on your experience to get to 7 to 9 percent?

A. Yes.

Q. With no calculations that you could point to?

A. No written calculations.

Q. Or any mental calculations that you could describe beyond the general process you just -- you've testified about?

A. I described the process that I went through to come up with the 7 to 9 percent.

Q. And there were no specific steps to get from the several numbers in Exhibit A to the 7 to 9 percent?

MR. RAINS: Objection.

Misstates the witness's testimony.

A. I utilized that information to derive an assumption of 7 to 9 percent.

Q. And you can't tell me any further the steps in that process?

A. I did many steps to come up with

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Outlook E-mail

From: Lee, Gary S.
Sent: 4/18/2012 1:28:59 PM
To: Rosten, Linda; Cancelliere, Jeff - PA; Hamzehpour, Tammy
Cc: Devine, Timothy
Subject: Re: Prep for Kathy Patrick Meeting

I am. We need mark renzi from fti as well as he is doing the waterfall models and charting on pls. Should I ask him?

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Rosten, Linda
To: Lee, Gary S.; Cancelliere, Jeff - PA ; Hamzehpour, Tammy
Cc: Devine, Timothy
Sent: Wed Apr 18 13:25:52 2012
Subject: Prep for Kathy Patrick Meeting

Are you available tomorrow morning for this prep meeting any time between 9:00 a.m. and 10:30 a.m. EDT?

Please let me know as soon as possible.

Thank you.

Best regards,

Linda Rosten
Ally Financial | Legal Staff
200 Renaissance Center, MC: 482-B09-B11, Detroit, MI 48265
T +313 656 6146
F +313 656 6124 or 313 566 0930
Linda.Rosten@ally.com

PENGAD 800-631-6989 EXHIBIT 9019-14 11/7/12

A. 78

Outlook E-mail

From: Renzi, Mark
Sent: 4/30/2012 9:07:56 PM
To: Timothy.Devine@ally.com; Levitt, Jamie A.; Lee, Gary S.
Cc: Nolan, William; Park, Liz; Szymik, Filip; Renzi, Mark
Subject: RE: Bounce - Discussion Materials (04-25-12)_Distribution File.pptx
Attachments Bounce - Discussion Materials (04-25-12)_Distribution File v1.pdf

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Tim, Jamie and Gary,

Attached please find the presentation that we reviewed with Kathy Patrick last week and please forward to the appropriate parties. Please note the following caveats:

- The presentation has been prepared based upon financial and other data provided to FTI Consulting, Inc. ("FTI") from the management and staff of Residential Capital, LLC. ("ResCap" or the "Company"),

- The presentation is preliminary and for illustrative purposes only and is subject to further revision which may result in material changes.

- The presentation contains material nonpublic information regarding the Company and is being provided on a strictly confidential and privileged basis.

Let us know if this is ok to send out or if you have any changes.

Regards,

Mark A. RENZI <<Bounce - Discussion Materials (04-25-12)_Distribution File v1.pdf>>
Managing Director | Corporate Finance

F T I Consulting
617.897.1528 direct
617.785.0177 mobile
617.897.1510 fax
Mark.Renzi@FTIConsulting.com

200 State Street, 8th Floor

Boston, MA 02109

www.fticonsulting.com

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11/7/12

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SUBJECT TO MATERIAL CHANGE

GMAC ResCap

Discussion Materials

For Settlement Purposes Only – Subject to FRE 408
April 25, 2012

CENTERVIEW PARTNERS

ATTORNEY – CLIENT PRIVILEGE
PREPARED IN ANTICIPATION OF LITIGATION

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FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

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FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

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SUBJECT TO MATERIAL CHANGE

[redacted]

CONFIDENTIAL – PROFESSIONALS' EYES ONLY

FOR SETTLEMENT DISCUSSION PURPOSES ONLY
SUBJECT TO MATERIAL CHANGE

[redacted]

[redacted]

[redacted]

A. 79

Outlook E-mail

Confidential

From: Devine, Timothy
Sent: 4/27/2012 8:50:10 PM
To: Solomon, William Legal; Hamzehpour, Tammy; Lee, Gary S.; 'RCieri@kirkland.com'; 'rschrock@kirkland.com'; Ruckdaschel, John
Subject: RE: next steps

Thanks Bill.

This has been an exemplary team effort, with expert support from both "sides".

Lots to do, and have to manage all client expectations since KP's clients will take several hacks at us.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

EXHIBIT
PENGAD 800-631-6989
9019 44
11/8/12

From: Solomon, William Legal
Sent: Friday, April 27, 2012 8:48 PM
To: Devine, Timothy; Hamzehpour, Tammy; 'GLee@mofo.com'; 'RCieri@kirkland.com'; 'rschrock@kirkland.com'; Ruckdaschel, John
Subject: Re: next steps

Very encouraging. Thanks to all, but especially Tim and John! Let's continue to drive this hard. Good momentum, development and dynamic -- so far.

From: Devine, Timothy
To: Solomon, William Legal; Hamzehpour, Tammy; 'GLee@mofo.com' <GLee@mofo.com>; Cieri, Richard M. <rcieri@kirkland.com>; 'rschrock@kirkland.com' <rschrock@kirkland.com>; Ruckdaschel, John
Sent: Fri Apr 27 20:22:25 2012
Subject: RE: next steps

Just spoke with KP. Good news overall. Lots more work in short timing.

She told me that she met with her steering committee for 90 minutes today in preliminary session re: our deal.

She told me that the group is committed to working toward a resolution within the bankruptcy. I asked her whether she presented the "input" dollars as we had presented to her and she confirmed that she did. She said that they have authorized her to keep working with us on an accelerated schedule and they are looking forward to a meeting with us directly. I have the clear impression they are at this point at least favorably disposed.

I asked Kathy to send us specific questions her steering committee has so we can work to address them.

When I get those questions I'll forward them to all on this email so we can have both teams collaborate in drafting responses, ensuring alignment at every step.

Couple details: Monoline issue: Kathy and her steering committee understand that some of the monolines will get in line for recovery and thereby deviate some of the water flowing down the waterfall. She is ok with that. To KP's understanding, the monolines get a supersenior position in the waterfall to the extent of their payments to the trust. That's different from the more nuanced understanding we're getting from John R. John R and Orrick are going to do a deep dive this weekend on some deals and educate all of us as to how a settlement would flow in a wrapped deal.

Kathy also asked us to be more clear with regard to who will "take" under the waterfall – all trusts, or only such trusts as present and prove 25% + authority? She is clearly biased to the latter. To that end, she asked that we clarify the FTI waterfalls to indicate whether the percentages indicate takeaways for only such trusts as are "empowered" by 25% + claimants, or all trusts.

KP asked us to let her know as soon as we can when we would be ready for a steering committee presentation.

She asked me to pass along thanks to John R and his team for all their work on the GSE data and also asked me to request John R to reach out again for a couple follow up questions.

Thanks again to all for support of this conversation.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Friday, April 27, 2012 7:11 PM
To: Devine, Timothy
Cc: Kathy Patrick; Scott Humphries
Subject: Re: next steps

Tim - I just returned your email and got voicemail. Please feel free to call me at home when you are free. The number is 713 680 3270. I'm available most of the weekend, except Sunday morning, if you want to choose a time.

Thanks,

Kathy

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On Apr 27, 2012, at 5:44 PM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

> Kathy:
>
> Will you please phone me at your convenience? I want to touch base on next steps and am conscious of the clock.
>
> Thanks again.
>
> Timothy A. Devine
> Chief Counsel - Litigation
> Ally Financial Inc. Legal Staff
> 200 Renaissance Center
> M/C: 482-B09-B11
> Detroit, MI 48265
> (313) 656-3477

A. 80

From: Solomon, William Legal
Sent: Wednesday, October 19, 2011 1:47 PM
To: Carpenter, Michael; Yastine, Barbara; Marano, Tom; Hamzehpour, Tammy; Brown, Jeff; Mackey, James; Pinkston, Corey
Subject: PLS Claimant

Yesterday, I received the attached letter from Kathy Patrick, a Houston attorney, requesting to meet with Ally representatives next week to "seek a resolution of repurchase and servicing claims with Ally". Ms Patrick represented the claimants in the $8.5 billion settlement with BofA.

I am meeting with Tim Devine and the litigation team later today to develop a recommend approach for dealing with this.

PENGAD 800-631-6989
EXHIBIT
9019-48
11/12/12

GIBBS BRUNS LLP

Kathy D. Patrick
kpatrick@gibbsbruns.com
713.751.5253

October 17, 2011

Via Federal Express

William B. Solomon, Jr., Esq.
General Counsel
Ally Financial Inc.
200 Renaissance Center
Detroit, Michigan 48265

Dear Mr. Solomon:

This firm represents investment advisers and holders of Residential Mortgage Backed Securities (RMBS) issued and/ or underwritten by Ally Financial Inc. and/or its affiliates ("Ally"). The aggregate outstanding balance of the 242 Ally deals in which our clients collectively hold 25% or more of the voting rights of a class in that deal, exceeds $51 billion. The aggregate outstanding balance of the 173 Ally deals in which our clients collectively hold 50% or more of the voting rights of a class in that deal, exceeds $36 billion.

There is widespread, readily available evidence suggesting that large numbers of mortgages securing the certificates held by our clients were sold or deposited into the RMBS pools based on false and/or fraudulent representations and warranties by the mortgage originators, sellers and/or depositors. This evidence includes, but is certainly not limited to:

- excessive early default and foreclosure rates experienced in the underlying mortgage pools;
- a loan-level analysis of Ally RMBS conducted by the Federal Housing Finance Agency (FHFA), which revealed that up to 13% of the mortgage loans in Ally RMBS breached owner-occupancy representations and warranties, and that up to 49% of the mortgage loans in Ally RMBS breached Loan-to-Value representations and warranties[1];

[1] Our clients collectively hold 25% or more of the voting rights of a class in 18 of the 21 Ally deals which FHFA analyzed.

- MBIA's lawsuits against Ally, reporting that its loan-level analysis of various Ally RMBS showed that high numbers of mortgages in the pools were ineligible at origination[2];

- detailed allegations in securities cases against Ally, which suggest widespread deficiencies in Ally's underwriting practices, including inaccurate representations and warranties regarding important loan characteristics such as borrower incomes and home appraisals[3];

- substantial downgrades of the certificates by credit rating agencies; and

- Ally's own apparent acknowledgement that it is potentially liable for violations of representations and warranties in Ally RMBS, evidenced by its $829 million reserve for repurchase liabilities as of June 30, 2011, which relates "primarily" to non-GSE exposure,[4] as well as its statement that such liabilities are "most significant for loans originated and sold between 2004 through 2008, specifically the 2006 and 2007 vintages ***that were originated and sold prior to enhanced underwriting standards and risk-mitigation actions implemented in 2008 and forward***."[5]

In addition, there is widespread, readily available evidence suggesting that Ally, as servicer and/or master servicer of mortgage loans securing the certificates held by our clients, has failed to observe and perform the covenants and agreements imposed on it by the governing agreements, and has failed to meet its duty to prudently service those mortgage loans, including, but certainly not limited to:

- Ally's admittedly flawed and "embarrassing"[6] mortgage loan servicing and foreclosure practices, including deficient document signing practices, leading to Ally's foreclosure suspension and review in Fall 2010;

- Ally's April 2011 consent order with the Board of Governors of the Federal Reserve System and the FDIC, which alleged that, in connection with certain

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[2] MBIA has reported that 89% of adversely selected loans from 3 separate GMAC securitizations were not originated in material compliance with GMAC's underwriting guidelines or representations and warranties. *See* Complaint ¶ 6, *MBIA Ins. Co. v. GMAC Mortg., LLC*, No. 600837/2010 (N.Y. Sup. Ct.). MBIA has also reported that 93% of adversely selected loans from 5 separate RFC securitizations were not originated or acquired in material compliance with RFC's representations and warranties. *See* Complaint ¶ 46, *MBIA Ins. Co. v. Residential Funding Co., LLC*, No. 603552/2008 (N.Y. Sup. Ct.).

[3] *See, e.g.*, Complaint, *Mass. Mut. Life Ins. Co. v. Residential Funding Co.*, LLC, No. 3:11-cv-30035 (D. Mass.).

[4] *See* Ally Financial Inc.'s Second Quarter 2011 Form 10-Q at 83.

[5] *See id.* at 81 (emphasis added).

[6] *See* Dakin Campbell and Natalie Doss, *Ally Will Keep ResCap, 'Screwed Up' Using Robosigners*, BLOOMBERG NEWS, Nov. 3, 2010.

foreclosures of loans in Ally's servicing portfolio, Ally engaged in "unsafe or unsound banking practices" because, among other reasons, Ally filed or caused to be filed in courts inaccurate affidavits, filed or caused to be filed in courts or in land record offices improperly notarized mortgage-related documents, litigated or initiated foreclosure proceedings without ensuring proper assignment and possession of promissory notes or mortgage documents, failed to devote adequate resources to foreclosure processes, failed to ensure timely, effective, and efficient communication with borrowers with respect to loss mitigation and foreclosure activities, failed to subject its foreclosure processes to adequate oversight, internal controls, policies, and procedures, and failed to sufficiently oversee third parties handling foreclosure-related services;

- ongoing investigations by state attorneys general and other government agencies into Ally's mortgage loan servicing and foreclosure-related practices;

- evidence of wholly avoidable and unnecessary servicing fees to maintain mortgaged property, which have resulted from Ally's flawed mortgage loan servicing and foreclosure practices; and

- Ally's apparent failure to notify other parties to the governing agreements of mortgage loans in the pools that violated representations and warranties at the time they were sold into the pools, and its apparent failure to enforce the sellers' obligations to cure, substitute, or repurchase such loans, as Ally is required to do under the governing agreements.

Based on this and other evidence, our clients believe that large numbers of ineligible loans were sold or deposited into, and remain in, the RMBS pools securing the certificates. Under the governing agreements, Ally has substantial repurchase liability for such loans. Our clients further believe that Ally's failure to observe and perform the covenants and agreements imposed on it by the governing agreements, and to meet its duty to prudently service those mortgages, may constitute a servicer event of default under the governing agreements.

Our clients are not willing to suffer further losses resulting from ineligible loans in the pools and improper servicing of the loans in the pools, and they wish to seek a resolution of repurchase and servicing claims with Ally. As such, our clients hope and anticipate that Ally will begin a constructive dialogue with them regarding the concerns raised by this letter. If, however, Ally proves to be an obstacle to their efforts to mitigate such losses, our clients fully intend to exercise their rights under the governing agreements—including the issuance of binding instructions to Trustees—to pursue enforcement of repurchase and servicing claims against Ally.

Should Ally wish to begin a constructive dialogue regarding these issues, please make appropriately senior legal and business personnel available to meet with me and various of our clients on Thursday, October 27, 2011. To arrange the details of this meeting, please contact me as soon as possible.

Very truly yours,

Kathy Patrick

Gibbs & Bruns LLP · 1100 Louisiana · Suite 5300 · Houston, Texas 77002 · T 713.650.8805 · F 713.750.0903 · www.gibbsbruns.com

A. 81

12-12020-mg Doc 320-2 Filed 06/11/12 Entered 06/12/12 00:00:34 Exhibit 2
Pg 2 of 39

EXECUTION COPY

RMBS TRUST SETTLEMENT AGREEMENT

This RMBS Trust Settlement Agreement is entered into as of May 13, 2012, by and between Residential Capital, LLC and its direct and indirect subsidiaries (collectively, "ResCap" or the "Debtors"), on the one hand, and the Institutional Investors (as defined below), on the other hand (the "Settlement Agreement"). Each of ResCap and the Institutional Investors may be referred to herein as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, certain ResCap entities were the Seller, Depositor, Servicer and/or Master Servicer for the securitizations identified on the attached Exhibit A (the "Trusts");

WHEREAS, certain ResCap entities are parties to certain applicable Pooling and Servicing Agreements, Assignment and Assumption Agreements, Indentures, Mortgage Loan Purchase Agreements and/or other agreements governing the Trusts (the "Governing Agreements"), and certain ResCap entities have, at times, acted as Master Servicer and/or Servicer for the Trusts pursuant to certain of the Governing Agreements;

WHEREAS, pursuant to the Governing Agreements, certain ResCap entities have contributed or sold loans into the Trusts (the "Mortgage Loans");

WHEREAS, the Institutional Investors have alleged that certain loans held by the Trusts were originally contributed in breach of representations and warranties contained in the Governing Agreements, allowing the Investors in such Trusts to seek to compel the trustee or indenture trustee (each, a "Trustee") to take certain actions with respect to those loans, and further have asserted past and continuing covenant breaches and defaults by various ResCap entities under the Governing Agreements;

WHEREAS, the Institutional Investors have indicated their intent under the Governing Agreements for each Trust in which the Institutional Investors collectively hold or are authorized investment managers for holders of at least 25% of a particular tranche of the Securities (as defined below) held by such Trust either to seek action by the Trustee for such Trust or to pursue claims, including but not limited to claims to compel ResCap to cure the alleged breaches of representations and warranties, and ResCap disputes such claims and allegations of breach and waives no rights, and preserves all of its defenses, with respect to such allegations and putative cure requirements;

WHEREAS, the Institutional Investors are jointly represented by Gibbs & Bruns, LLP ("Gibbs & Bruns") and Ropes & Gray LLP ("Ropes & Gray") and have, through counsel, engaged in arm's length settlement negotiations with ResCap that included the exchange of confidential materials;

WHEREAS, ResCap contemplates filing petitions for relief under chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court");

EXECUTION COPY

WHEREAS, ResCap and the Institutional Investors have reached agreement on a plan support agreement (the "Plan Support Agreement") pursuant to which the Institutional Investors will support the confirmation of a chapter 11 plan for ResCap;

WHEREAS, Ally Financial Inc. and its subsidiaries and affiliates, other than ResCap (collectively, "Ally") have agreed to a settlement with ResCap in return for releases of any alleged claims held by ResCap and certain third parties against Ally;

WHEREAS, ResCap and the Institutional Investors have reached agreement concerning all claims under the Governing Agreements; and

WHEREAS, the Parties therefore enter into this Settlement Agreement to set forth their mutual understandings and agreements for terms for resolving the disputes regarding the Governing Agreements.

AGREEMENT

NOW, THEREFORE, after good faith, arm's length negotiations without collusion, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following terms:

ARTICLE I. DEFINITIONS.

As used in this Settlement Agreement, in addition to the terms otherwise defined herein, the following terms shall have the meanings set forth below (the definitions to be applicable to both the singular and the plural forms of each term defined if both forms of such term are used in this Settlement Agreement). Any capitalized terms not defined in this Settlement Agreement shall have the definition given to them in the Governing Agreements.

Section 1.01 "Bankruptcy Code" shall mean title 11 of the United States Code;

Section 1.02 "Direction" shall mean the direction by the Institutional Investors, to the extent permitted by the Governing Agreements, directing any Trustee to take or refrain from taking any action; *provided, however*, that in no event shall the Institutional Investors be required to provide a Trustee with any security or indemnity for action or inaction taken at the direction of the Institutional Investors and the Institutional Investors shall not be required to directly or indirectly incur any costs, fees, or expenses to compel any action or inaction by a Trustee, except that the Institutional Investors shall continue to retain contingency counsel;

Section 1.03 "Effective Date" shall have the meaning ascribed in Section 2.01;

Section 1.04 "Governmental Authority" shall mean any United States or foreign government, any state or other political subdivision thereof, any entity exercising executive, legislative, judicial, regulatory, or administrative functions of or pertaining to the foregoing, or any other authority, agency, department, board, commission, or instrumentality of the United States, any State of the United States or any political subdivision thereof or any foreign jurisdiction, and any court, tribunal, or arbitrator(s) of competent jurisdiction, and any United States or foreign governmental or non-governmental self-regulatory organization, agency, or authority (including the New York Stock Exchange, Nasdaq, and the Financial Industry Regulatory Authority);

Section 1.05 "Institutional Investors" shall mean the authorized investment managers and Investors identified in the attached signature pages;

Section 1.06 "Investors" shall mean all certificateholders, bondholders and noteholders in the Trusts, and their successors in interest, assigns, pledgees, and/or transferees;

Section 1.07 "Person" shall mean any individual, corporation, company, partnership, limited liability company, joint venture, association, trust, or other entity, including a Governmental Authority;

Section 1.08 "Petition Date" means the date on which ResCap files petitions under chapter 11 of the Bankruptcy Code;

Section 1.09 "Plan" has the meaning ascribed to it in the Plan Support Agreement; and

Section 1.10 "Restructuring" shall have the meaning ascribed to it in the Plan Support Agreement.

ARTICLE II. SETTLEMENT PROCESS.

Section 2.01 Effective Date. This Settlement Agreement shall be effective immediately except as to the granting of allowed claims to the Trusts and the releases set forth herein. The claims allowance and releases shall only be effective, with respect to Trusts that timely accept the compromise, on the date on which the Bankruptcy Court enters an order approving the settlement contemplated hereby (the "Effective Date").

Section 2.02 Bankruptcy Court Approval. The Debtors shall (a) orally present this Settlement Agreement in court on the Petition date, including the agreed amount of the Allowed Claim (as defined below), (b) file a motion in the Bankruptcy Court as soon as practicable, but in no event later than fourteen (14) days after the Petition Date, seeking authority to perform under this Settlement Agreement and for approval of this Settlement Agreement and the compromise contained herein, and (c) obtain an order from the Bankruptcy Court approving such motion by the earlier of (i) 60 days after the Petition Date and (ii) the date on which the Disclosure Statement is approved by the Bankruptcy Court. The Trustee for each Trust may accept the offer of a compromise contemplated by this Settlement Agreement in writing pursuant to a form of acceptance to be included in the proposed order for approval of this Settlement Agreement to be submitted to the Bankruptcy Court.

Section 2.03 Standing. The Debtors agree that the Institutional Investors are parties in interest in the chapter 11 cases of ResCap for the purposes of enforcing rights and complying with obligations under this Settlement Agreement and the Plan Support Agreement.

ARTICLE III. <u>REPRESENTATIONS AND WARRANTIES.</u>

Section 3.01 <u>Holdings and Authority</u>. Lead counsel to the Institutional Investors, Gibbs & Bruns, has represented to ResCap that the Institutional Investors have or advise clients who have aggregate holdings of securities of greater than 25% of the voting rights in one or more classes of the securities, certificates or other instruments backed by the mortgages held by each of the Covered Trusts (as defined in the Plan Support Agreement). Each Institutional Investor represents that (i) it has the authority to take the actions contemplated by this Settlement Agreement, to the extent that it has the authority with respect to any other entities, account holders, or accounts for which or on behalf of which it is signing this Settlement Agreement, and (ii) it holds, or is the authorized investment manager for the holders of, the securities listed in the schedule attached to the Plan Support Agreement as Exhibit F thereto, in the respective amounts set forth therein by CUSIP number, that such schedule was accurate as of the date set forth for the respective institution, and that since the date set forth for the Institutional Investor, the Institutional Investor has not, in the aggregate, materially decreased the Institutional Investor's holdings in the Securities. The Parties agree that the aggregate amounts of Securities collectively held by the Institutional Investors for each Trust may be disclosed publicly, but that the individual holdings shall remain confidential, subject to review only by ResCap, Ally, the Bankruptcy Court, the Office of the United States Trustee, and any official committee of creditors that may be appointed in the Chapter 11 Cases.

Section 3.02 <u>Holdings Retention</u>. The Institutional Investors currently and collectively hold Securities representing in aggregate 25% of the voting rights in one or more classes of Securities of not less than 290 of the Covered Trusts. The Institutional Investors, collectively, shall maintain holdings aggregating 25% of the voting rights in one or more classes of Securities of not less than 235 of the Covered Trusts ("<u>Requisite Holdings</u>") until the earliest of: (i) confirmation of the Plan, (ii) December 31, 2012, (iii) a Consenting Claimant Termination Event, (iv) a Debtor Termination Event, or (v) an Ally Termination Event (as terms (iii), (iv) and (v) are defined in the Plan Support Agreement); <u>provided</u>, <u>however</u>, that any reduction in Requisite Holdings caused by: (a) sales by Maiden Lane I and Maiden Lane III; or (b) exclusion of one or more trusts due to the exercise of Voting Rights by a third party guarantor or financial guaranty provider, shall not be considered in determining whether the Requisite Holdings threshold has been met. If the Requisite Holdings are not maintained, each of Ally and ResCap shall have the right to terminate the Settlement Agreement, but neither Ally nor ResCap shall terminate the Settlement Agreement before it has conferred in good faith with the Institutional Investors concerning whether termination is warranted. For the avoidance of doubt, other than as set forth above, this Settlement Agreement shall not restrict the right of any Institutional Investor to sell or exchange any Securities issued by a Trust free and clear of any encumbrance. The Institutional Investors will not sell any of the Securities for the purpose of avoiding their obligations under this Settlement Agreement, and each Institutional Investor (except Maiden Lane I and Maiden Lane III) commits to maintain at least one position in one of the Securities in one of the Trusts until the earliest of the dates set forth above. If the Debtor or Ally reach a similar agreement to this with another bondholder group, the Debtor and Ally will include a substantially similar proportionate holdings requirement in that agreement as contained herein.

ARTICLE IV. DIRECTION TO TRUSTEES AND INDENTURE TRUSTEES.

Section 4.01 Direction to Trustees and Indenture Trustees. The relevant Institutional Investors for each Trust shall, by the time of the filing of a motion to approve this Settlement Agreement, provide the relevant Trustee with Direction to accept the settlement and compromises set forth herein. The Institutional Investors hereby agree to confer in good faith with ResCap as to any further or other Direction that may be reasonably necessary to effectuate the settlement contemplated herein, including those actions listed in Section 3.1 of the Plan Support Agreement, filing motions and pleadings with the Bankruptcy Court and making statements in open court in support of the Restructuring.

Section 4.02 No Inconsistent Directions. Except for providing instructions in accordance with Section 4.01, the Institutional Investors agree that (i) between the date hereof and the Effective Date, with respect to the Securities on the Holdings Schedule, they will not, individually or collectively, direct, vote for, or take any other action that they may have the right or the option to take under the Governing Agreements or to join with any other holders or the trustee of any note, bond or other security issued by the Trusts, to cause the Trustees to enforce (or seek derivatively to enforce) any representations and warranties regarding the Mortgage Loans or the servicing of the Mortgage Loans, and (ii) to the extent that any of the Institutional Investors have already taken any such action, the applicable Institutional Investor will promptly rescind or terminate such action. Nothing in the foregoing shall restrict the ability of the Institutional Investors to demand that any other Investor who seeks to direct the Trustee for a Trust post any indemnity or bond required by the Governing Agreements for the applicable Trust.

Section 4.03 Amendments to Governing Agreements Regarding Financing of Advances. The Institutional Investors agree to use commercially reasonable efforts (which shall not require the giving of any indemnity or other payment obligation or expenditure of out-of-pocket funds) to negotiate any request by the Debtors or the Trustees for Trusts that are being assumed, and if any Trustee shall require a vote of the certificate or note holders with respect thereto, shall vote in favor of (to the extent agreement is reached) any amendment to the relevant Governing Agreements and related documents requested by the Debtors in order to permit "Advances" (as it or any similar term may be defined in the Governing Agreements) to be financeable and to make such other amendments thereto as may be reasonably requested by the Debtors in accordance with any agreement to acquire all or substantially all of the Debtors' servicing assets pursuant to the Restructuring and the Plan, so long as such changes would not cause material financial detriment to the Trusts, their respective trustees, certificate or note holders, or the Institutional Investors.

ARTICLE V. ALLOWANCE OF CLAIM.

Section 5.01 The Allowed Claim. ResCap hereby makes an irrevocable offer to settle, expiring at 5:00 p.m. prevailing New York time on the date that is forty five (45) days after the Petition Date, with each of the Trusts that timely agrees to the terms of this Settlement Agreement (the "Accepting Trusts"). In consideration for such agreement, ResCap will provide a general unsecured claim of $8,700,000,000 (the "Total Allowed Claim"). For the avoidance of doubt, the Total Allowed Claim shall be shared among any Trusts accepting the offer contained in this Section 5.01, subject to the provisions of this Settlement Agreement. Any Trusts accepting the offer contained in this Section 5.01, subject to the provisions of this Settlement Agreement shall be allowed claims in an amount calculated as set forth below (the "Allowed Claim"), but in no case shall the amount of the Allowed Claim exceed $8,700,000,000. The amount of the Allowed Claim shall equal (i) $8,700,000,000, less (ii) $8,700,000,000 multiplied by the percentage represented by (a) the total dollar amount of original principal balance for the Trusts not accepting the offer outlined above, divided by (b) the total dollar amount of original principal balance for all Trusts.

Section 5.02 Waiver of Setoff and Recoupment. By accepting the offer to settle contained in Section 5.01, each accepting Trust irrevocably waives any right to setoff and/or recoupment such Trust may have against Ally and ResCap.

ARTICLE VI. ALLOCATION OF ALLOWED CLAIM.

Section 6.01 The Allocation Schedule. The allocation of the amounts of the Allowed Claim as to each Trust (each, an "Allocated Allowed Claim"), is set forth on Exhibit B hereto.

Section 6.02 Legal Fees.

(a) ResCap and the Institutional Investors agree that Gibbs & Bruns and Ropes & Gray shall, on the Effective Date of the Plan, be paid legal fees as follows, as an integrated and nonseverable part of this Settlement Agreement. First, Gibbs & Bruns and Ropes & Gray, as counsel to the Institutional Investors, shall be allocated by ResCap without conveyance to the Trustees the percentages of the Allowed Claim set forth on Exhibit C, without requirement of submitting any form of estate retention or fee application, for their work relating to these cases and the settlement. Second, the Debtors and Institutional Investors may further agree at any time, that the Debtors may pay Gibbs & Bruns and Ropes & Gray in cash, in an amount that Gibbs & Bruns and Ropes & Gray respectively agree is equal to the cash value of their respective portions of the Allowed Claim, and in any such event, no estate retention application, fee application or further order of the Bankruptcy Court shall be required as a condition of the Debtors making such agreed payment. Third, the Debtors agree and the settlement approval order shall provide that the amount of the Allowed Claim payable to Gibbs & Bruns and Ropes & Gray may be reduced to a separate claim stipulation for convenience of the parties.

(b) In the event that, prior to acceptance of this compromise by a Trustee for a Trust other than an original Covered Trust (as defined in the Plan Support Agreement), counsel to Investors in such Trust cause a direction to be given by more than 25% of the holders of a tranche of such Trust to accept this compromise, then the same provisions as contained in Section 6.02(a) shall apply to such counsel, solely as to the amounts allocated to such Trust. Such counsel shall be entitled to a share of the fee for such trust equal to the ratio of (a) 25% minus the percentage of such tranche held by Institutional Investors divided by (b) 25%. Counsel would be required to identify itself and satisfy the Debtors and Institutional Investors as to the holdings of client-investors and that counsel caused such directions.

ARTICLE VII. RELEASES.

Section 7.01 Releases. Except as set forth in Article VIII, as of the Effective Date, with respect to each and every Trust for whom the Trustee accepts the compromise contemplated by this Settlement Agreement, the Investors, Trustee, Trust, and any Persons claiming by, through or on behalf of such Trustee (including Institutional Investors claiming derivatively) or such Trust (collectively, the "Releasors"), irrevocably and unconditionally grant a full, final, and complete release, waiver, and discharge of all alleged or actual claims, demands to repurchase, demands to cure, demands to substitute, counterclaims, defenses, rights of setoff, rights of rescission, liens, disputes, liabilities, losses, debts, costs, expenses, obligations, demands, claims for accountings or audits, alleged events of default, damages, rights, and causes of action of any kind or nature whatsoever, whether asserted or unasserted, known or unknown, suspected or unsuspected, fixed or contingent, in contract, tort, or otherwise, secured or unsecured, accrued or unaccrued, whether direct or derivative, arising under law or equity, against ResCap that arise under the Governing Agreements. Such released claims include, but are not limited to, claims arising out of and/or relating to (i) the origination, sale, or delivery of Mortgage Loans to the Trusts, including the representations and warranties made in connection with the origination, sale, or delivery of Mortgage Loans to the Trusts or any alleged obligation of ResCap to repurchase or otherwise compensate the Trusts for any Mortgage Loan on the basis of any representations or warranties or otherwise or failure to cure any alleged breaches of representations and warranties, (ii) the documentation of the Mortgage Loans held by the Trusts including with respect to allegedly defective, incomplete, or non-existent documentation, as well as issues arising out of or relating to recordation, title, assignment, or any other matter relating to legal enforceability of a Mortgage or Mortgage Note, or any alleged failure to provide notice of such defective, incomplete or non-existent documentation, (iii) the servicing of the Mortgage Loans held by the Trusts (including any claim relating to the timing of collection efforts or foreclosure efforts, loss mitigation, transfers to subservicers, advances, servicing advances, or claims that servicing includes an obligation to take any action or provide any notice towards, or with respect to, the possible repurchase of Mortgage Loans by the applicable Master Servicer, Seller, or any other Person), (iv) setoff or recoupment under the Governing Agreements against ResCap, and (v) any loan seller that either sold loans to ResCap or AFI that were sold and transferred to such Trust or sold loans directly to such Trust, in all cases prior to the Petition Date (collectively, all such claims being defined as the "Released Claims"). For the avoidance of doubt, this release does not include individual direct claims for securities fraud or other disclosure-related claims arising from the purchase or sale of Securities.

Section 7.02 Release of Claims Against Investors. Except as set forth in Article VIII, as of the Effective Date, ResCap irrevocably and unconditionally grants to the Investors a full, final, and complete release, waiver, and discharge of all alleged or actual claims from any claim it may have under or arising out of the Governing Agreements. For the avoidance of doubt, nothing in this provision shall affect Ally's rights in any way.

Section 7.03 Agreement Not to Pursue Relief from the Stay. The Institutional Investors agree that neither they nor their successors in interest, assigns, pledges, delegates, affiliates, subsidiaries, and/or transferees, will seek relief from the automatic stay imposed by section 362 of the Bankruptcy Code in order to institute, continue or otherwise prosecute any action relating to the Released Claims; provided, however, nothing contained herein shall preclude the

Institutional Investors or their advised clients from seeking any such relief with respect to direct claims for securities fraud or other disclosure-related claims arising from the purchase or sale of Securities. ResCap reserves its rights and defenses therewith.

Section 7.04 Inclusion of Accepting Trustees in Plan Exculpation Provisions. The Trustees of any Trust accepting the offer to settle described in Section 5.01 and their respective counsel shall be entitled to the benefit of any plan exculpation provision, if any, included in the Plan, which exculpation shall be no less favorable than the plan exculpation provisions extended to similarly situated creditors or parties in interest who are parties to any plan support agreement with ResCap.

Section 7.05 Servicing of the Mortgage Loans. Except as provided in Section 8.01, the release and waiver in Article VII includes all claims based in whole or in part on any actions, inactions, or practices of the Master Servicer, Servicer, or Subservicer as to the servicing of the Mortgage Loans held by the Trusts prior to the Petition Date.

ARTICLE VIII. CLAIMS NOT RELEASED

Section 8.01 Administration of the Mortgage Loans. The releases and waivers in Article VII herein do not include claims that first arise after the Effective Date which are based in whole or in part on any actions, inactions, or practices of the Master Servicer, Servicer, or Subservicer as to the servicing of the Mortgage Loans held by the Trusts in their aggregation and remittance of Mortgage Loan Payments, accounting for principal and interest, and preparation of tax-related information, in connection with the Mortgage Loans and the ministerial operation and administration of the Trusts and the Mortgage Loans held by the Trusts, for which the Master Servicer, Servicer, or Subservicer received servicing fees, unless, as of the date hereof, the Institutional Investors, have or should have knowledge of the actions, inactions, or practices of ResCap in connection with such matters.

Section 8.02 Financial-Guaranty Provider Rights and Obligations. To the extent that any third party guarantor or financial-guaranty provider with respect to any Trust has rights or obligations independent of the rights or obligations of the Investors, the Trustees, or the Trusts, the releases and waivers in Article VII are not intended to and shall not release such rights.

Section 8.03 Settlement Agreement Rights. The Parties do not release or waive any rights or claims against each other to enforce the terms of this Settlement Agreement or the Allowed Claim.

Section 8.04 Disclosure Claims. The releases and waivers in Article VII do not include any claims based on improper disclosures under federal or state securities law.

Section 8.05 Reservation of Rights. Notwithstanding anything in this Settlement Agreement to the contrary, the Institutional Investors have not waived their right to file an objection to a motion of the holders of the ResCap 9 5/8% bonds requesting payment of any interest on account of their ResCap 9 5/8% bond claims that may be due and owing after the Petition Date.

ARTICLE IX. RELEASE OF UNKNOWN CLAIMS.

Each of the Parties acknowledges that it has been advised by its attorneys concerning, and is familiar with, California Civil Code Section 1542 and expressly waives any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to the provisions of the California Civil Code Section 1542, including that provision itself, which reads as follows:

> "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

The Parties acknowledge that inclusion of the provisions of this Article IX to this Settlement Agreement was a material and separately bargained for element of this Settlement Agreement.

ARTICLE X. OTHER PROVISIONS

Section 10.01 Voluntary Agreement. Each Party acknowledges that it has read all of the terms of this Settlement Agreement, has had an opportunity to consult with counsel of its own choosing or voluntarily waived such right and enters into this Settlement Agreement voluntarily and without duress.

Section 10.02 No Admission of Breach or Wrongdoing. ResCap has denied and continues to deny any breach, fault, liability, or wrongdoing. This denial includes, but is not limited to, breaches of representations and warranties, violations of state or federal securities laws, and other claims sounding in contract or tort in connection with any securitizations, including those for which ResCap was the Seller, Servicer and/or Master Servicer. Neither this Settlement Agreement, whether or not consummated, any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, whether or not consummated, shall be construed as, or deemed to be evidence of, an admission or concession on the part of ResCap with respect to any claim or of any breach, liability, fault, wrongdoing, or damage whatsoever, or with respect to any infirmity in any defense that ResCap has or could have asserted.

Section 10.03 No Admission Regarding Claim Status. ResCap expressly states that in the event this Settlement Agreement is not consummated or is terminated prior to the Effective Date, then neither this Settlement Agreement, nor any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, shall be construed as, or deemed to be evidence of, an admission or concession on the part of ResCap that any claims asserted by the Institutional Investors are not contingent, unliquidated or disputed. The Institutional Investors expressly state that in the event this Settlement Agreement is not consummated or is terminated prior to the Effective Date, neither this Settlement Agreement, nor any proceedings relating to this Settlement Agreement, nor any of the terms of the Settlement Agreement, shall be construed as, or deemed to be evidence of, an admission or concession on the part of the

Institutional Investors that any claims asserted by the Institutional Investors and Trustees are not limited to the amounts set forth in this Settlement Agreement or are of any particular priority.

Section 10.04 Counterparts. This Settlement Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same Settlement Agreement. Delivery of a signature page to this Settlement Agreement by facsimile or other electronic means shall be effective as delivery of the original signature page to this Settlement Agreement.

Section 10.05 Joint Drafting. This Settlement Agreement shall be deemed to have been jointly drafted by the Parties, and in construing and interpreting this Settlement Agreement, no provision shall be construed and interpreted for or against any of the Parties because such provision or any other provision of the Settlement Agreement as a whole is purportedly prepared or requested by such Party.

Section 10.06 Entire Agreement. This document contains the entire agreement between the Parties, and may only be modified, altered, amended, or supplemented in writing signed by the Parties or their duly appointed agents. All prior agreements and understandings between the Parties concerning the subject matter hereof are superseded by the terms of this Settlement Agreement and the Plan Support Agreement.

Section 10.07 Specific Performance. It is understood that money damages are not a sufficient remedy for any breach of this Settlement Agreement, and the Parties shall have the right, in addition to any other rights and remedies contained herein, to seek specific performance, injunctive, or other equitable relief from the Bankruptcy Court as a remedy for any such breach. The Parties hereby agree that specific performance shall be their only remedy for any violation of this Agreement.

Section 10.08 Authority. Each Party represents and warrants that each Person who executes this Settlement Agreement on its behalf is duly authorized to execute this Settlement Agreement on behalf of the respective Party, and that such Party has full knowledge of and has consented to this Settlement Agreement.

Section 10.09 No Third Party Beneficiaries. There are no third party beneficiaries of this Settlement Agreement.

Section 10.10 Headings. The headings of all sections of this Settlement Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

Section 10.11 Notices. All notices or demands given or made by one Party to the other relating to this Settlement Agreement shall be in writing and either personally served or sent by registered or certified mail, postage paid, return receipt requested, overnight delivery service, or by electronic mail transmission, and shall be deemed to be given for purposes of this Settlement Agreement on the earlier of the date of actual receipt or three days after the deposit thereof in the mail or the electronic transmission of the message. Unless a different or additional address for subsequent notices is specified in a notice sent or delivered in accordance with this Section, such notices or demands shall be sent as follows:

To: Institutional Investors
c/o Kathy Patrick
Gibbs & Bruns LLP
1100 Louisiana
Suite 5300
Houston, TX 77002
Tel: 713-650-8805
Email: kpatrick@gibbsbruns.com
-and-
Keith H. Wofford
D. Ross Martin
Ropes & Gray LLP
1211 Avenue of the Americas
New York, NY 10036
Tel: 212-841-5700
Email: keith.wofford@ropesgray.com
ross.martin@ropesgray.com

To: ResCap
c/o Gary S. Lee
Jamie A. Levitt
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104
Tel: 212-468-8000
Email: glee@mofo.com
jlevitt@mofo.com

Section 10.12 Disputes. This Settlement Agreement, and any disputes arising under or in connection with this Settlement Agreement, are to be governed by and construed in accordance with the laws of the State of New York, without giving effect to the choice of laws principles thereof. Further, by its execution and delivery of this Settlement Agreement, each of the Parties hereto hereby irrevocably and unconditionally agrees that the United States District Court for the Southern District of New York shall have jurisdiction to enforce this Settlement Agreement, *provided*, *however*, that, upon commencement of the Chapter 11 Cases, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of or in connection with this Settlement Agreement.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

12-12020-mg Doc 320-2 Filed 06/11/12 Entered 06/12/12 00:00:34 Exhibit 2 Pg 13 of 39

EXECUTION COPY

Dated the 13 day of May, 2012.

Residential Capital, LLC
for itself and its direct and indirect subsidiaries

Signature: ____________

Name: Tammy Hamzehpour

Title: General Counsel

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Western Asset Management Company

Name: W. Stephen Venable, Jr.
Title: Attorney

Dated: May ___, 2012

Thrivent Financial for Lutherans

Name: David S. Royal

Title: Vice President and Deputy General Counsel

Dated: May 11, 2012

JDM

Teachers Insurance and Annuity Association of America

Name: SANJEEV HANDA

Title: MANAGING DIRECTOR

Dated: May 13, 2012

The TCW Group, Inc. on behalf of itself and its subsidiaries

Name: Michael E. Cahill

Title: Executive Vice President

Name: David S. DeVito

Title: Executive Vice President

Dated: May ____, 2012

Douglas M. Hodge

Pacific Investment Management Company LLC

Name: Douglas M. Hodge

Title: Chief Operating Officer

Dated: May 13, 2012

Maiden Lane LLC and Maiden Lane III LLC by Federal Reserve Bank of New York, as managing member

Name: Stephanie Heller

Title: Senior Vice President and Deputy General Counsel

Dated: May ___, 2012

A.811 Pg 111 of 116

Neuberger Berman Europe Limited

Name: HEATHER ZUCKERMAN

Title: DIRECTOR

Dated: May 13, 2012

Nancy Mueller Handal

Metropolitan Life Insurance Company

Name: Nancy Mueller Handal

Title: Managing Director

Dated: May __13_, 2012

Cory B. Nass

Kore Advisors, L.P.

Name: Cory B. Nass

Title: General Counsel

Dated: May ___, 2012

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Gerald T. Lins

ING Investment Management Co. LLC

Name: Gerald T. Lins

Title: Managing Director and Secretary

Dated: May 13, 2012

A.812 Pg 115 of 116

ING Investment Management LLC

Name: Christine Hurtsellers

Title: Executive Vice President

Dated: May 11, 2012

Goldman Sachs Asset Management, L.P.

Name:

Title:

Dated: May 10, 2012

A. 83

Outlook E-mail

From: Devine, Timothy
Sent: 5/8/2012 11:15:02 AM
To: Lee, Gary S.; rcieri@kirkland.com
Cc: Ruckdaschel, John; Cancelliere, Jeff - PA; rschrock@kirkland.com; Levitt, Jamie A.; mark.renzi@fticonsulting.com; Solomon, William Legal
Subject: RE: Are you available

Gary: let's talk again with KP, but as I understand it the 22% is her raw defect rate on ResCap investments. While it may be accurate to say that she has been flexible downward with that number in light of the circumstance, I do not believe that it includes a formal deus ex machina haircut. If we can articulate the proper haircut, she can get her defect rate and we can get a reasonable dollar number.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Lee, Gary S. [mailto:GLee@mofo.com]
Sent: Tuesday, May 08, 2012 11:00 AM
To: Devine, Timothy; rcieri@kirkland.com
Cc: Ruckdaschel, John; Cancelliere, Jeff - PA; rschrock@kirkland.com; Levitt, Jamie A.; mark.renzi@fticonsulting.com; Solomon, William Legal; Lee, Gary S.
Subject: Re: Are you available

Jeff is trying to understand her BoA exhibit and then we may have a clearer view. In reality - lehman was 35pc, she says boa was 36, and 22pc is lower than we thought we would end up with. She is taking the discount already because its bk dollars not boa dollars.

Gary S. Lee
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, NY 10104-0050
T. 212.468.8042
F. 212.468.7900
glee@mofo.com

From: Devine, Timothy
To: Devine, Timothy ; Lee, Gary S.; 'rcieri@kirkland.com'
Cc: Ruckdaschel, John ; Cancelliere, Jeff - PA ; 'rschrock@kirkland.com' ; Levitt, Jamie A.; 'Renzi, Mark' ; Solomon, William Legal
Sent: Tue May 08 10:46:04 2012
Subject: RE: Are you available
Folks:

Light bulb moment:

Isn't the obvious answer that KP states her 22% - 11 billion or whatever – and then takes an appropriate haircut (analogous to the 36% to 14% haircut she took in BoA) to get to a lower $ number ($8B?) as stipulated allowed claim?

If you all agree, please help me enunciate in simple terms what the haircut is based on and we can work out who talks it through with KP.

Tim

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Devine, Timothy
Sent: Tuesday, May 08, 2012 7:15 AM
To: Lee, Gary S.; 'rcieri@kirkland.com'
Cc: Ruckdaschel, John; Cancelliere, Jeff - PA; 'rschrock@kirkland.com'; JLevitt@mofo.com; Renzi, Mark; Solomon, William Legal
Subject: FW: Are you available

Here's KP's version – the BoA settlement was not at 14% but at 36% -- and then haircut to the risk that BoA would not be responsible for Countrywide if the matter was litigated rather than settled.

Timothy A. Devine
Chief Counsel - Litigation
Ally Financial Inc. Legal Staff
200 Renaissance Center
M/C: 482-B09-B11
Detroit, MI 48265
(313) 656-3477

From: Kathy D. Patrick [mailto:kpatrick@gibbsbruns.com]
Sent: Tuesday, May 08, 2012 1:19 AM
To: Devine, Timothy
Subject: Re: Are you available

No, that's wrong: the BofA defect rate was over 30%. BofA ARGUED with us that the defect rate was 14%, which is why that is scenario 1 in the spreadsheet that BNY's expert used--but the ACTUAL defect rate we used, and settled on, was 36%. That would be scenario 3 or 4 in our spreadsheet, which is in the BNY expert report, too. I'm at a loss to understand why ResCap and Ally won't just look at the spreadsheet we used in BofA--because the scenarios in it track exactly what I've said. BofA argued for a vastly lower defect rate, which we rejected; they paid based on our much higher defect rate, which we accepted.

Importantly, the 36% defect rate we used for BofA was before litigation discounts, a primary one of which was the risk--which has obtained here--that Countrywide would go into bankruptcy. But for that risk, and the insolvency of Countrywide, the size of the CLAIM that we calculated against BofA was $32 billion. That's why I keep telling you that what we got from them was 25.7 cents on the dollar: the CLAIM size was $32 billion against them, and we settled for $8.5 billion, which is a recovery of 25.7 cents on the dollar based on a defect rate of 36%. Here, we've got a CLAIM size of more than $10 billion on which, as a practical matter, the recovery will be far less due to ResCap's bankruptcy.

Below is the relevant set of comparisons:

BofA Original Face: $432 billion	ResCap OF: $220 billion
BofA Current Face at Settlement: $163 billion	ResCap CF: $63 billion
BofA Claim Size: $32.5 billion	ResCap Claim Size: $10 billion
BofA Defect vs. Losses: 36%	ResCap Defect vs. Losses 22.2%
BofA Settlement: $8.5 billion	ResCap Settlement: whatever is distributed
BofA Settlement vs. Claim Size: 25.7 cents	ResCap Settlement: distrib. amt / $10 billion

That's why the numbers you're giving me don't make any sense, either with regard to our BofA Settlement--because the

the numbers you have are just wrong--or by virtue what we know about ResCap. We've analyzed and assessed what we think is ResCap's actual exposure: if we were using the same, 36% defect rate we used with Bank of America, the claim size for ResCap would be well in excess of $18 billion. Instead, we've offered to resolve by agreeing to a claim size of $10 billion.

Thus, the claim size is not just ratably lower based on issuance size, it is actually lower as a result of our analysis of the the ResCap defect rate vs. Countrywide's. ResCap will have problems not just with us but with every investor if you try to suggest that the defect rate is a lot lower than where we've analyzed it: you can't reconcile that with the data, the accrued losses or the allegations in existing and future lawsuits.

Bottom line: you are getting a lower defect rate, but it's a realistic rate based on accurate data and using the same methodology we used before.

Kathy Patrick
Gibbs & Bruns LLP
713.751.5253

On May 8, 2012, at 12:12 AM, "Devine, Timothy" <Timothy.Devine@ally.com> wrote:

> I'm getting lots of pressure on valuation now. BoA 8.5 billion represents 14 defect rate, correct? Everything we know about our our product - from origination through pooling through reps and diligence throughg servicing - makes our folks believe we are better (lower) than Countrywide by a large margin. I am being asked to explain how we could agree to a defect rate 150 of Countrywide's.
>
> ----- Original Message -----
> From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
> To: Devine, Timothy; Kathy D. Patrick <kpatrick@gibbsbruns.com>
> Sent: Mon May 07 21:15:14 2012
> Subject: Re: Are you available
>
> Sure. 713 972 4695
>
> Kathy D. Patrick
> Gibbs & Bruns, L.L.P.
>
> ----- Original Message -----
> From: Devine, Timothy [mailto:Timothy.Devine@ally.com]
> Sent: Monday, May 07, 2012 08:10 PM
> To: Kathy D. Patrick
> Subject: Re: Are you available
>
> May I call you in 15 minutes? Sorry.
>
> ----- Original Message -----
> From: Kathy D. Patrick <kpatrick@gibbsbruns.com>
> To: Devine, Timothy
> Sent: Mon May 07 19:57:18 2012
> Subject: Are you available
>
> At 830 Eastern tonight?
> Where can I reach you?
>
> Kathy D. Patrick
> Gibbs & Bruns. L.L.P.

For information about this legend, go to
http://www.mofo.com/Circular230/

==

A. 84

REDACTED

A. 85

In Re:

RESIDENTIAL CAPITAL, LLC, et al.

September 19, 2012

eScribers, LLC
(973) 406-2250
operations@escribers.net
www.escribers.net
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Min-U-Script® with Word Index

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
Case No. 12-12020-mg
- -x
In the Matter of:

RESIDENTIAL CAPITAL, LLC, et al.,

Debtors.

- -x

United States Bankruptcy Court
One Bowling Green
New York, New York

September 19, 2012
10:10 AM

B E F O R E:
HON. MARTIN GLENN
U.S. BANKRUPTCY JUDGE

Doc# 1429 Conference on the Status of Discovery and Other Matters Related to Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Settlement Agreements (related document(s)320)

Transcribed by: Zipporah Geralnik
eScribers, LLC
700 West 192nd Street, Suite #607
New York, NY 10040
(973)406-2250
operations@escribers.net

MR. PRINCI: All righty.

THE COURT: I'll ask Mr. Schrock or one of his colleagues this question, but let me ask it of you. What was the role of AFI and Kirkland & Ellis in the RMBS settlement negotiations?

MR. PRINCI: We discussed with Kirkland & Ellis the terms that were being negotiated of the RMBS settlement agreement.

THE COURT: Did either Kirkland --

MR. PRINCI: In a real-time basis.

THE COURT: Did either Kirkland or AFI have anyone present during negotiations?

MR. PRINCI: I'm sorry; say again, please?

THE COURT: Did either Kirkland or AFI have anyone present during negotiations?

MR. PRINCI: I believe -- I believe --

THE COURT: I don't know that -- whether these -- go ahead.

MR. PRINCI: I believe the answer to that, Judge, I -- from firsthand knowledge, I know the answer to that, like, right before the petition was filed is yes, because there was an associate at Kirkland & Ellis who we asked to be there just so that we get the document done, so he came to our offices, Morrison & Foerster's offices. And then prior to -- okay. And then prior to that, Your Honor, I wasn't involved, and so I'd have to consult, but I'm being told, yes.

THE COURT: You identified Mr. Cancelliere, a mortgage risk officer, as being substantially involved in the settlement negotiations on behalf of the debtors. Was there any other person employed by any of the debtors who was substantially involved in the settlement negotiations of the RMBS settlement?

MR. PRINCI: Yes, Your Honor.

THE COURT: Who else?

MR. PRINCI: Ms. Hamzehpour.

THE COURT: Give me -- hang on; let me find -- I'm switching between the notes I prepared before and -- what is the name?

MR. PRINCI: It's Hamzehpour.

THE COURT: Could you spell it for me?

MR. PRINCI: I will in just one second, Judge. H-A-M-Z-E-H-P-O-U-R, H-A-M-Z, as in zebra, E-H-P, as in Peter, O-U-R.

THE COURT: And what is Ms. Hamzehpour's position with the debtors?

MR. PRINCI: She's general counsel.

THE COURT: And what was her role in the negotiations?

MR. PRINCI: She was one of our principal contacts, directives.

THE COURT: All right. Was there anyone else employed by any of the debtors that was substantially involved in the settlement negotiations?

expense and burden on everybody.

Let me hear from the other parties.

MR. DONOVAN: Good morning, Your Honor. Daniel Donovan from Kirkland & Ellis for Ally Financial. Your Honor, you asked Mr. Princi five questions, and I want to answer those for you.

First you asked, who from AFI, if anyone, should be deposed? It would be Mr. Timothy Devine, chief counsel of litigation for Ally; that's one.

Two, you asked Mr. Princi when he would, and I assume you'd asked me, when would Ally complete their e-mail production. On or before September 24th of 2012.

Third, you asked when a privilege log would be produced. We're going to produce our initial privilege log September 28th, and plan to supplement that October 5th, and be done on that date, October 5th, 2012.

Fourth, you asked Mr. Princi, whether ResCap's production is searchable. Ally's is searchable. We produced as TIFFs with load files; we've heard nothing from the committee. They've been unable to search it. And I'm going to come back -- I hope they have searched the settlement negotiation documents we produced in July of 2012, but I'll come back to that.

Fifth, you asked what was Ally's role related to the RMBS trust settlement agreement. And I think Mr. Princi had it right. We were kept up to date, primarily Mr. Devine, also, my colleague Noah Ornstein, from Kirkland & Ellis. We were kept up to date; we were interested, and we were kept up to date, primarily by Morrison & Foerster and others.

So I believe those were five questions you asked, but I wanted to give you Ally's response at the outset.

THE COURT: You gave me the date by which e-mail production will be completed. What about any other document production other than e-mails, electronic or paper?

MR. DONOVAN: And I'm putting those together, Your Honor. So I believe both --

THE COURT: Okay. All production.

MR. DONOVAN: All of our discovery, and just for the record, we have searched and are searching thirteen custodians, four of which are from Kirkland. The four Kirkland custodians were searched and produced back in July 2012, July 26th to be precise. And those documents were e-mails of which MOFO was on, Ms. Patrick was on, and others if we were CCed, if any of those four Kirkland custodians were CCed.

So when the committee's report last night said settlement negotiations that we were at least copied on -- I know they happened without us -- those have been produced. There's going to be some more, but they've been produced. And that's because, Your Honor, since June, the committee served 2004 requests, as you know, and at least three of them, if not