



September 13, 2013

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: EITF-13E

Dear Board Members and FASB Staff:

Ally Financial Inc. (“Ally”) is pleased to comment on the Financial Accounting Standards Board’s (“FASB” or the “Board”) Proposed Accounting Standard Update, Receivables – Troubled Debt Restructurings by Creditors (Topic 310-40), Reclassification of Collateralized Mortgage Loans upon a Troubled Debt Restructuring, a consensus of the FASB Emerging Issue Task Force (“Proposed Update”).

Ally is a leading automotive financial services company powered by a top direct banking franchise. Ally's automotive services business offers a full suite of financing products and services, including new and used vehicle inventory and consumer financing, leasing, inventory insurance, commercial loans and vehicle remarketing services. Ally Bank, the company's direct banking subsidiary and member of the FDIC, offers an array of deposit products, including certificates of deposit, savings accounts, money market accounts, IRA deposit products and interest checking. In addition to the direct banking services provided by Ally Bank, Ally Bank holds a portfolio of collateralized mortgage loans. Ally's Commercial Finance unit provides financing to middle-market companies across a broad range of industries. Ally operates as a bank holding company and reported approximately \$151 billion in assets as of June 30, 2013.

Ally supports the Board’s decision to clarify the timing of reclassification of collateralized mortgage loans to REO property and improve the financial reporting disclosures for such events.

However, as the Board proceeds towards the issuance of a final update in regards to this Proposed Update, we ask the Board to consider our comments in the following areas:

1. Timing of reclassification from collateralized mortgage loan to REO property
2. Disclosures related to REO property and in-process foreclosures

In addition, Appendix A includes responses to certain of the specific questions that the Board has included in the Proposed Update.



Timing of Reclassification from Collateralized Mortgage Loan to REO Property

Ally supports the Board's decision to clarify when an in-substance repossession or foreclosure occurs, that is, when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer loan regardless of whether formal foreclosure proceedings take place, triggering reclassification of the collateralized mortgage loan into REO property.

Per the Proposed Update, such an in-substance foreclosure occurs when:

- a) The creditor obtains legal title to the residential real estate property, or
- b) Completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan, even though legal title may not have yet passed. The deed in lieu of foreclosure or similar legal agreement is completed when the agreed upon terms and conditions have been satisfied by both the borrower and the creditor.

While Ally agrees with the principle behind the Board's clarification, we are unclear as to the Board's intent with this clarification in relation to Office of the Comptroller of the Currency's ("OCC") guidance that indicates that at the time of the sheriff's sale, the property should be classified as REO regardless of the existence of rights provided to the borrower during a redemption period. As a result, Ally requests that the Board provide additional clarity for circumstances in which regulatory and legal safeguards exist to protect residential borrowers. For example, in certain states a right of redemption period exists subsequent to the completion of the foreclosure process. During this period, the borrower continues to live in the property while having a period of time to cure court approved outstanding delinquencies. Whether or not the creditor obtains title during this period varies state to state, but in certain cases, the creditor obtains a "contingent" title. While the creditor may have title to the property, it is contingent upon the borrower's right of redemption. The creditor may also have the ability to sell their contingent title to a third party, but no party can take physical possession of the property until the borrower fails to cure delinquencies upon the expiration of the redemption period.

Considering this example in terms of the basis of conclusions¹ of the Proposed Update, during this period, the creditor seemingly lacks the most important rights associated with ownership. The creditor cannot receive income on the property. The creditor may be able to sell title to the property, but this ability is subject to a purchaser's willingness to assume the risk that the borrower will cure court approved delinquencies and reassume title to the property thereby nullifying the creditor's sale of the property to a third party. In addition the borrower is still fully controlling the access to the property. Based on the information cited from the basis of conclusions, we believe the intent of Board, is to contradict the OCC guidance in this regard. As a result, we ask that the Board make an explicit statement with regard to the relationship between this guidance and the related OCC guidance.

¹ Refer to basis of conclusion paragraph 8, BC8.



Disclosures Related to REO Property and In-Process Foreclosures

Ally appreciates the Board's intentions in regards to the new disclosures related to REO property and in process foreclosures. Per the Proposed Update, the proposed disclosures include:

- a) A rollforward of foreclosed residential REO properties for which the creditor has received physical possession, as defined in this Proposed Update, including additions due to new foreclosures, reductions due to sales or transfers, adjustments related to the carrying value of REO property (i.e. LOCOM adjustments), and any other adjustments impacting the carrying value of REO;
- b) A general disclosure presenting the recorded investment in consumer mortgage loans for which foreclosure proceedings are in process.

Overall, Ally does not believe the proposed disclosures add significant value for users of financial statements. In the event the Board decides to require the disclosure related to in-process foreclosures we recommend the Board consider adding this disclosure to the existing credit quality disclosures in Topic 310 as it may provide additional transparency to those disclosures.

Ally appreciates the opportunity to share our comments with the Board. We urge the FASB staff to consider our aforementioned comments and answers to *Questions for Respondents* when finalizing the Proposed Update. If you have any questions on the comments contained in this letter, please contact me at 267-387-7054.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Anspach".

Michael Anspach
Executive Director, Global Corporate Accounting Policy and Valuation Governance
Ally Financial, Inc

cc: Mr. David DeBrunner, VP, Controller, and Chief Accounting Officer



Appendix A- FASB Questions

Question 1: Should the scope of the proposed amendments about the timing of the reclassification of receivables to foreclosed residential real estate properties be extended to commercial real estate mortgage loans? If yes, please explain why, including a discussion on any special considerations related to reclassifying commercial real estate loans.

Ally's Response:

Ally does not believe the scope of the Proposed Update should be extended to include commercial real estate mortgage loans. We believe the foreclosure process and applicable laws governing commercial real estate properties differs significantly compared to residential real estate properties.

As described in the Board's summary, the purpose of the Proposed Update is to address inconsistent application of GAAP as it relates to in-substance foreclosures or repossessions. This inconsistency became apparent in light of the high levels of residential real estate foreclosures in recent years. If the Board were to extend the scope and include commercial real estate mortgage loans and other loans collateralized by nonfinancial assets, additional due diligence should be performed to fully understand the foreclosure processes related to those assets. We are not confident the application of the proposal as written would yield consistent application of the definition as desired by the Board for commercial real estate loans and other loans collateralized by nonfinancial assets other than real estate.

Question 2: Should the scope of the proposed amendments about the timing of reclassification of receivables to foreclosed assets also be extended to loans collateralized by nonfinancial assets other than real estate (for example, auto loans)? If yes, please explain why, including a discussion on any special considerations related to reclassifying loans that are collateralized by nonfinancial assets other than real estate.

Ally's Response:

Ally does not believe the scope of the proposed amendments should be extended to loans collateralized by nonfinancial assets other than real estate. Please refer to our response to Question 1.

Question 3: Do you agree that a creditor should be considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan upon (a) the creditor obtaining legal title to the residential real estate property or (b) completion of a deed in lieu of foreclosure or similar legal agreement under which the borrower conveys all interest in the residential real estate property to the creditor to satisfy that loan, even though legal title may not yet have passed? If not, please explain why.



Ally's Response:

As indicated in our general comments under the section titled *Timing of Reclassification from Collateralized Mortgage Loan to REO Property*, Ally is generally supportive of the principle within the Proposed Update, but believe additional clarification is needed when there is a redemption period associated with a clean title transfer,

Question 4: Do you agree that the recurring disclosures of (a) the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure according to local requirements of the applicable jurisdiction and (b) a roll-forward schedule reconciling the change from the beginning to the ending balance of foreclosed residential real estate properties provide decision-useful information and should be required to be provided in interim and annual financial statements? If not, please explain why and what disclosures, if any, you would propose.

Ally's Response:

No, Please see our general comments under the section titled *Disclosures Related to REO Property and In-Process Foreclosures*.

Question 5: If the scope of the proposed amendments is extended to commercial real estate mortgage loans and/or loans collateralized by nonfinancial assets other than real estate (for example, auto loans), should different disclosures be required for these loans? Please describe how and why you think the disclosures should be different.

Ally's Response:

As indicated in Questions 1 and 2 above, Ally does not believe the scope of the proposed amendments should be extended to commercial real estate loans or loans collateralized by nonfinancial assets. As such, we do not believe these disclosures should be required for these loans.

Question 6: Do you agree that the proposed amendments should be applied to both collateralized residential mortgage loans and foreclosed residential real estate properties existing at the date of adoption by means of a cumulative-effect adjustment as of the beginning of the annual reporting period for which the guidance is effective? If not, please explain why.

Ally's Response:

Yes, Ally agrees.

Question 7: If an entity is required to reclassify foreclosed residential real estate property to consumer mortgage loans upon transitioning to the proposed guidance, at what amount should those loans be recorded at the date of adoption? For example, (a)



should the recorded investment in such consumer mortgage loans at the date of adoption be the initial recognition basis of the foreclosed residential real estate property and (b) should any difference between the carrying amount of the foreclosed residential real estate property at the date of adoption and its initial recognition basis be recorded as an allowance for loan losses for such consumer mortgage loans? Please explain the reasons for your view.

Ally's Response:

Ally believes the recorded investment in the consumer mortgage loan should be equal to the expected recoverable amount, which in most cases would be the fair value of the underlying collateral less costs to sell. Considering that the REO property is carried at the lower of cost or fair value, we believe it is reasonable to simply record the investment in the consumer mortgage loan at the current carrying value of the REO property. This approach will mitigate operational issues at transition and would be representative of the overall economics.

Question 8: Do you agree that the proposed amendments should apply to both public entities and nonpublic entities? If not, please describe how and why you think they should be different.

Ally's Response:

Yes, Ally agrees.

Question 9: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Ally's Response:

Yes, Ally agrees.

Question 10: How much time would be needed to implement the proposed amendments, and should the effective date differ for nonpublic entities versus public entities? Please explain why.

Ally's Response:

Ally believes implementation should not take longer than one year.