

**Statement by Christopher Whalen
Congressional Oversight Panel
Hearing on GMAC TARP Assistance
February 25, 2010**

Chairman Warren, members of the Congressional Oversight Panel, my name is Christopher Whalen and I live in the State of New York. I work in the financial community as a financial analyst and a principal of a firm that rates the performance of all FDIC insured banks, including Ally Bank and its parent company, GMAC Inc.¹ Thank you for inviting my comments today on this important subject.

My firm publishes quarterly ratings for all US banks using data from the FDIC. Our rating for Ally Bank is currently “F” as of Q4 2009 based upon our Bank Stress Index (BSI), which is a quarterly stress survey of five areas of performance: return on equity, charge-offs, capital, lending exposure and efficiency. A summary of the BSI ratings for Ally Bank are below and the historical ratings for Ally Bank may be found in Appendix A.

IRA Bank Stress Index Rating – Ally Bank – Q4 2009

IRA Letter Grade F This institution exhibits significantly higher stress than the industry average.	Stress Score	Overall 26.9	ROE > 100.0 <i>Negative ROE</i>	Loan Defaults 46.1	Capital 0.5	Lending Capacity 0.6	Efficiency 0.9
	Industry Benchmark	4.4	14.7	4.1	0.9	1.0	1.4

Source: FDIC/The IRA Bank Monitor (1995 = 1)

¹ Mr. Whalen is a co-founder of [Institutional Risk Analytics](#), a Los Angeles unit of Lord, Whalen LLC that publishes risk ratings and provides customized financial analysis and valuation tools.

As you can see from the results above, Ally Bank has elevated stress scores for charge-offs and equity returns, but low stress scores for capital, lending capacity and efficiency. The high ROE stress score is well above the 1995 benchmark year and reflects operating losses due to continuing high costs due to credit losses. The stress score of 46.1 in Q4 2009 for charge-offs reflects the significant restructuring that GMAC announced at the end of 2009. The BSI score for charge-offs at Ally Bank in Q3 2009 was 4.3, just over the industry average.

I have a “Negative” outlook for GMAC as a whole because of the prospect for continuing operating losses. The company has reported losses for the past two years. Of the 22 banks that I cover as part of the IRA Advisory Service, I view GMAC as the least suitable for investors at this time.

You specifically asked me to address: (1) the structure of financing in the auto industry and the consequences to the industry had GMAC failed, (2) whether there were any alternatives to GMAC to provide financing to the auto industry and alternatives to the manner of the US Treasury’s financial involvement in GMAC, and (3) the prospects for GMAC generally and the repayment of taxpayer funds.

Auto Industry Financing

In the US auto industry, the larger manufacturers generally rely upon both internal and external sources of financing to support the sale/lease of new and used vehicles, both in terms of floor plan financing and financing of sale/lease transactions. In generic terms, floor plan or wholesale lending is a

form of retail goods inventory financing in which each loan advance is made against a specific piece of collateral. As each piece of collateral is sold by the dealer, the loan advance against that piece of collateral is repaid. Items commonly subject to floor plan debt are automobiles, large home appliances, furniture, television and stereo equipment, boats, mobile homes, and other types of merchandise usually sold under a sales finance contract.

Typically in the auto industry, in-house financing vehicles provide credit for dealer floor plan finance and for those sale/lease customers who do not meet prime credit standards. External lenders, which are usually commercial banks, also provide floor plan financing as well as sales/lease finance. Banks generally are more expensive in both cases because they are required to have higher credit standards than non-bank financial firms and thus typically take only better quality customers. There are a number of banks and non-banks which offer floor plan finance to auto dealers, although this market came under great pressure in 2008 and 2009 as all wholesale credit markets became illiquid.

The market for auto finance for consumer auto sales in the form of loans/leases is highly competitive. The better quality manufacturers generally have at least two external options in addition to captive financing vehicles to offer customers seeking to purchase or lease a vehicle. Captives such as GMAC typically finance customers that banks will not accept. As I discuss below, the investment community is very familiar with and accepting of auto finance receivables and these assets are easily securitized and sold by originators.

In the case of Ford, for example, the company offers multiple financing lines depending upon the state in which the dealer is located, the type of vehicle, etc. So as the part-owner of my own business, when I lease a Volvo from Ford's Volvo car unit, my lease financing is written by Ford Motor Credit, the non-bank financing subsidiary of Ford, rather than a commercial bank. Names such as JPMorgan Chase, CapitalOne, Wells Fargo, and US Bancorp are but a few of the bank and non-bank firms which provide auto lease financing in New York.

In terms of the consequences to the industry had GMAC failed, after the initial turmoil involved in any bankruptcy, the overall impact would have been positive. Whereas the bankruptcy of Lehman Brothers was a "surprise," a GMAC filing would not have taken markets unaware. Moreover, solvent bank and non-bank competitors of GMAC would have been eager to capture both the floor plan and auto sales business, albeit at a higher cost level. We will never really know the answer to the "what if" question, however, because GMAC was bailed out, creating enormous new moral hazards for GMAC and the auto industry, as well as for banks. While GM and GMAC both no doubt have told the COP that the services of GMAC were and are essential, the fact remains that GMAC is providing services offered by many other BHCs and non-banking financing companies, though at price levels below where independent banks would write the same business.

Political intervention and government subsidies in the global auto sector in recent decades caused most of the players to earn returns that are below their internal hurdles for return on invested capital or even negative. But today

many European and Asian automakers have ended dependence on state subsidies, this even as the US is now heading in the wrong direction through public bailouts of GM and Chrysler. Take the example of Fiat, once the sick man of the European auto sector, but now one of the most competitive makers of small, efficient vehicles in the world. GM's European units now occupy the bottom of the competitive food chain once occupied by Fiat.²

GM and Chrysler also are the bottom of the US auto industry in terms of product quality and overall cost-competitiveness. Preserving these failed auto companies and their captive financial vehicle only places additional pressures on those US and global auto firms which are well managed and have not required bankruptcy and public subsidies to restructure or maintain their operations. Indeed, putting Chrysler together with Fiat is a particularly ironic development. Just a few years ago, GM could have bought the Italian company for virtually nothing, but now the opposite is the case. The US Treasury may have a much better chance of recovering value from Chrysler's merger with Fiat than from either GM or GMAC.

In recent years, because of the falling sales of its primary client and the closure of many GM dealers, GMAC embarked upon a strategy to grow its bank unit and use deposits to fund its operations far beyond the stated core mission of financing auto sales. This deliberate business model choice on the part of GMAC appears to be similar to the type of business strategy displayed by a troubled bank that is seeking to hit a home run in order to survive. Such behavior distorts market pricing for the services offered by all

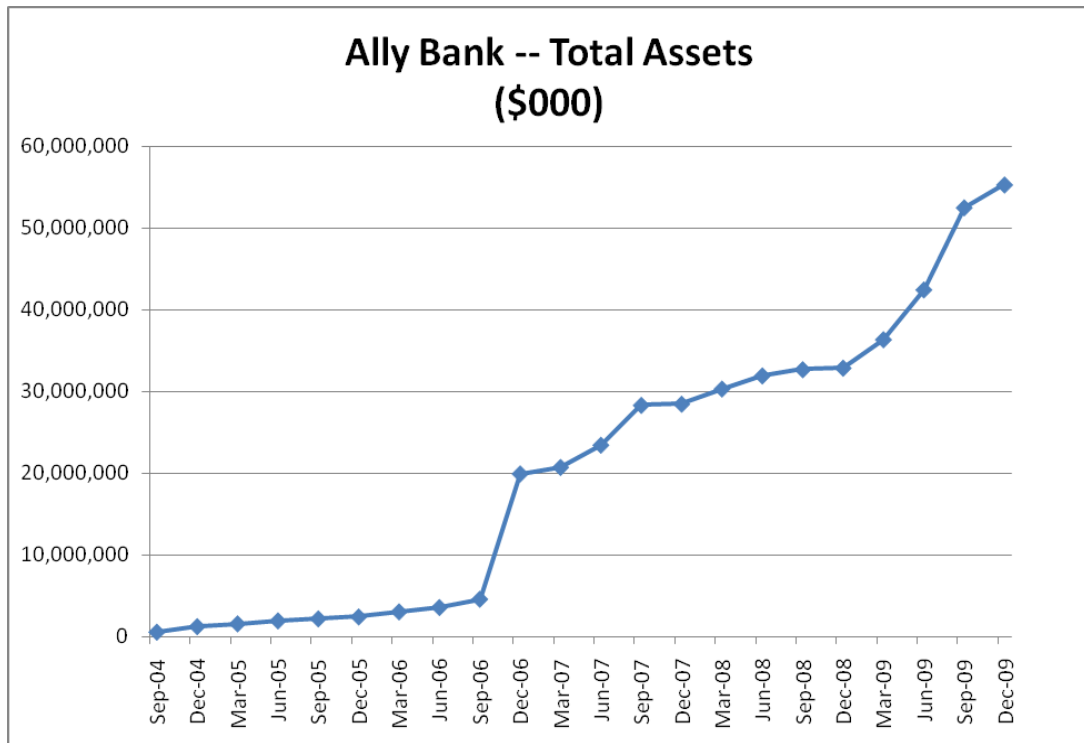
² The ongoing negotiations between GM and the German government regarding additional subsidies for the Opel brand are a case in point. See Gerrit Wiesmann, "More pressure on GM as German states step up funding push," *Financial Times*, February 23, 2010, Pg. 14.

banks and hurts other, well-managed insured depository institutions. Ally Bank's behavior in the marketplace, for example, including its use of television advertising, and above-market pricing and other incentives for attracting new deposits, suggests that GMAC is attempting to expand into a full service bank holding company (BHC) based upon a funding base that is less than 10% core deposits. According to the most recent Bank Holding Company Performance Report prepared by the Fed, more than 60% of the total funding of GMAC, including Ally Bank, is non-core, nearly double the 35% average non-core funding of its large BHC peers.³

Looking at the Form Y-9C filed with the Fed for GMAC at the end of 2009, we see a balance sheet with \$172 billion in total assets, down from \$190 billion at the end of 2008. Some \$75 billion of this amount is in net loans and leases, including \$26 billion in loans secured by real estate, \$23 billion in commercial and industrial loans, \$16 billion in other loans, and almost \$4 billion in leases. Nearly 10% of GMAC's real estate loans are currently in the process of foreclosure.

As GMAC shrinks on a consolidated basis, Ally Bank is increasing its assets, from \$32 billion at the end of 2008 to almost \$60 billion at the end of 2009. These assets are funded primarily via the bank's deposit base, which includes online deposits, brokered deposits and advances from the Federal Home Loan Banks. The last category has been falling *in relative terms* as the bank's assets, and consumer and brokered deposits, have grown. The chart below shows the asset growth of Ally Bank since 2004.

³ See [Bank Holding Company Performance Report September 30, 2009](#), GMAC Inc., Board of Governors of the Federal Reserve System, Pg 8.



Source: FDIC/The IRA Bank Monitor

The question that GMAC, the Fed, the Treasury and the Congress need to ask is why is Ally Bank growing so rapidly? Are US taxpayers financing legitimate auto finance operations or are we supporting the growth of a diversified financial services holding company that provides services and takes risk in a number of different asset classes?

In response to a question I posed during a conference call earlier this year, GMAC management indicated that the size of the real estate loan portfolio at Ally Bank would shrink during 2010 so that such non-auto loans would be smaller than Ally Bank's auto lending activities. With all due respect to GMAC's team, I find this statement difficult to believe given (a) the current size of the bank's real estate loan portfolio and (b) the continued dependence of Ally Bank on the interest income from these mortgage assets.

Keep in mind that properly originated auto finance receivables can easily be securitized and sold to investors, so the purpose of the balance sheet growth at Ally Bank is not apparent to me as a means to enhance auto lending. It is important for the COP to recognize that auto finance securitization is one of the few areas that came back immediately after the collapse of Lehman Brothers in 2008 and without government help. There was already available within Ally Bank adequate capital to operate a conduit to fund and sell auto loans to investors *before* 2008, when the current asset growth began to accelerate dramatically.

Auto securitizations are simple deals with just a few tranches, standardized transaction terms and transparent cash flows. Investors like auto paper and deals issued by GMAC, Ford Motor Credit and other sponsors are routinely well-supported. The automakers typically retain the first-loss piece of each securitization and thus auto deals were always aligned with investors needs. The fact is that auto paper, unlike mortgage securitizations that we will discuss below, are short on imagination and arbitrage, have even shorter average lives, and are seen rightly as safe, low-risk investments by global investors.

In short, there was no compelling financial or business reason to rescue GMAC. There were private alternatives available to GM and Chrysler in the marketplace for floor plan lending and the securitization of auto loans was never really in doubt. The only reasonable explanation for the decision by the Obama Administration to use public funds to support these three very troubled companies – GM, GMAC and Chrysler -- is political. The business arguments do not make any sense.

As we wrote in the *Institutional Risk Analyst* in October of 2009:

“The political end game being played by President Barack Obama and the Democrats in Congress is to keep GMAC, the crippled automaker GM and the United Auto Workers afloat through next year's election. The Democrats know that if GMAC is forced into bankruptcy, then GM will be unable to finance their paltry auto sales and will likewise end up back in bankruptcy. In the event, the web of subsidies and co-dependency between the UAW and the Democratic Party will begin its final collapse.”⁴

GMAC was and is today closely integrated with GM and to a lesser degree with Chrysler as a captive financing vehicle for lower credit quality car sales, loans or leases which cannot be funded via banks and other third-party lenders. But the idea that this in-house financing capability could not be replicated in a new financing vehicle and/or by third party credit providers stretches credibility to the breaking point.

Given the amount of money spent by Treasury to subsidize GMAC to date, most of which has been used to offset continuing operating losses from the mortgage portfolio, it would have been more cost effective to simply provide some level of guarantees to banks and other lenders to take up the slack following a GMAC bankruptcy. With a little bit of effort and imagination, both floor plan inventory and sales financing could have been provided by third parties.

⁴ “Zombie Love: Barack Obama, GMAC and Ally Bank,” *The Institutional Risk Analyst*, October 28, 2009.

The Manner of Treasury's Involvement

The form of the involvement by the Treasury with GMAC is the next area of concern. The key decision in that regard was to convert GMAC into a BHC so that the firm could access TARP funds, other government subsidies such as the FDIC's debt guarantee program and the Federal Reserve Bank of New York's Term Asset-Backed Securities Loan Facility (TALF), and also so that it would come under the implicit safety net of "too big to fail." As in the case of the Treasury support for capital deficient commercial banks via the TARP, the route taken by former Treasury Secretary Hank Paulson and current Secretary Timothy Geithner regarding GM and GMAC has been to make capital injections into these firms in the form of common or preferred equity.

The first point to make is that converting GMAC into a BHC was a bad public policy choice and an equally bad financial decision. Not only was GMAC demonstrably insolvent when the Fed's Board of Governors approved the application by GMAC to become a BHC, but the Board acted under expedited procedures and without public notice or hearings.⁵ At the time, Fed officials claimed that a failure by GMAC would raise the specter of "systemic risk," but this is untrue. As already noted, the markets were well-aware of GMAC's problems. Also, while GMAC does have dozens of affiliates around the world, most are not vehicles of substance and operate instead as nominees of GMAC and/or ResCap. [Click here to see the GMAC hierarchy report from the Federal Reserve Board.](#)

⁵ See "Legal Developments: GMAC LLC and IB Finance Holding Company, LLC," *Federal Reserve Bulletin*, Vol. 95, 2009. The Board voted 4-1 in approving the GMAC application with Governor Duke dissenting.

In my view, this entire process of converting GMAC into a BHC was an abuse of process and law. The expedited approval of the GMAC BHC application prevented the Board and the Treasury from performing adequate due diligence on the immediate and long-term problems facing GMAC, as well as some of the business issues already addressed. I think that had officials of the Fed and Treasury been properly apprised of the facts and the possible financing alternatives available to GM, they might have made a very different decision. But in those dark days, the atmosphere of crisis and political expediency that prevailed in Washington allowed for very poor financial decisions and even worse public policy.

Let us recall that the business and financial problems at GM and GMAC were hardly new and, in the case of the latter, were caused largely by the firm's involvement in real estate lending and securitization activities. ResCap was for years one of the top-five issuers of residential non-agency of securitizations. Today GMAC still has over \$100 billion in exposure outstanding to residential mortgage securitizations compared with just \$7.4 billion in auto loan securitizations. That is, the mortgage banking activities and securitization footings of GMAC are an order of magnitude larger than the firm's auto financing securitization business and carry far more risk per dollar of exposure.

At the end of 2009, nearly 20% of the loans inside GMAC's residential mortgage securitizations were 90-days or more past due vs. \$510 million or less that 10% of the auto loan securitizations.⁶ As mentioned above, auto loans are relatively safe compared with the world of private label mortgage loan originations that has been GMAC's primary focus for more than a decade.

The Board's approval of the GMAC application to become a BHC in December 2009 ignored the requirements of the BHC Act and Regulation Y regarding capital and management factors and, in my view, should provide members of the Congress in both parties all of the evidence they require to strip the central bank of its responsibilities for supervising and regulating BHCs and depository institutions.⁷ The approval of the GMAC application to become a BHC and the subsequent decision by the Treasury to inject \$16 billion in equity capital was a travesty and ranks with the bailout of American International Group (AIG) as one of the darkest days in the history of the Fed and the US Treasury.

Further, the Fed's "The Supervisory Capital Assessment Program" required that GMAC raise additional capital from the private markets. This has not been done. The failure to raise private capital suggests that the Fed made an error in acting on the initial application to approve GMAC's BHC status. Not only did the Board disregard the insolvency of GMAC and its inability to raise private capital, but it also chose to ignore or did not consider at all

⁶ See form [Y-9C for GMAC](#) dated 12/31/09 available from the National Information Center.

⁷ For a longer discussion of the Fed's repeated failures to obey the law and properly regulate BHCs and banks, see my statement regarding "[Modernizing Bank Supervision and Regulation](#)," Senate Banking Committee, March 24, 2009.

the unsafe and unsound banking practices conducted by GMAC's Ally Bank and ResCap units in the areas of mortgage banking and securitization. I will discuss the activities of these entities below.

Because of the choice made by the Treasury and the Fed to convert GMAC into a BHC and to convert what was then known as GMAC Bank from a UT industrial loan company into an FDIC-insured, UT non-member bank, the subsequent choices facing Treasury in terms of financing were greatly reduced. Since GMAC seemingly was insolvent when it became a BHC and since it could not raise new equity capital from private sources sufficient to meet even the watered-down conditions in the Fed's Order approving the BHC application, there was really no alternative to equity investments. This choice has several implications:

First, the hasty decision to make GMAC a BHC precluded a true restructuring. Had the Treasury not pushed ahead with the idea of making GMAC a BHC and had instead required the firm to first be restructured in bankruptcy along with GM, a very different outcome would have been possible. With the bankruptcy filing, the Fed and/or private lenders could have provided debtor-in-possession (DIP) financing. The Fed and FDIC could have entered the bankruptcy of GMAC as senior creditors (FDIC in its role as statutory receiver for Ally Bank), much as the Treasury did with GM, and even asked the bankruptcy court to link the two matters.

Second, the units of GMAC could have continued to operate in the normal course of business under court protection. The equity holders of GMAC would have been wiped out and the Fed would have emerged from the

bankruptcy as the new majority equity holder in a fully restructured, solvent entity and without any unliquidated claims from ResCap or its securitization vehicles to hamper its operations in the future.

Keep in mind that the FDIC-insured bank unit of Lehman Brothers, and its large residential servicing portfolio, have been operating in bankruptcy for 18 months, so the notion that a financial services company cannot be legally restructured in bankruptcy while its operating units continue to do business is false. The managed bankruptcy of CIT is another case in point. Indeed, Lehman Brothers FSB and its Aurora Loan Servicing unit services my home mortgage today.

Following an expedited bankruptcy assisted by the Fed and Treasury, GMAC then could have applied to the Fed for BHC status and been in a much stronger position to grow and support GM and Chrysler auto sales. After the restructuring and approval of its BHC status, Treasury could have used TARP to take the Fed out of its equity stake in and/or DIP loans to GMAC and left the taxpayer with an equity stake in truly viable entity.

If the intention of the Treasury and the Obama Administration was to see GMAC made a viable platform for financing car sales, a full restructuring is clearly the most desirable choice – but political considerations intervened. I will discuss the implications for the Treasury and the US taxpayer of the failure to use bankruptcy to terminate the existing and potential claims against GMAC resulting from its residential mortgage origination and securitization activities below.

Third, by converting GMAC into a BHC, the Fed and Treasury have essentially bailed-out not just GM, Chrysler and the UAW, but the debt and equity holders of GMAC, as well as the firm's trading and swaps counterparties. One of the dirty secrets of the GMAC rescue is that the effort was as much about meeting the short-term political needs of the Obama Administration and the Democratic party vis-à-vis their relationship with the UAW as it was throwing more subsidies at Wall Street. A default by GMAC would have forced major Wall Street banks and funds into an organized bankruptcy process a la Lehman Brothers, but instead public funds were used to spare these firms from losses. Again, a comparison between the AIG rescue and GMAC is entirely appropriate for this panel to consider.

A formal restructuring of GMAC along with the bankruptcy of GM and Chrysler would have been inconvenient, costly and time consuming, both for the companies and the political constituencies in the US with close ties to these domestic automakers and some large Wall Street investors with close ties to the Obama Administration. But since the two customers for this captive financing vehicle were already in bankruptcy, the logic of not also restructuring GMAC in the same way is not apparent. But GMAC was not restructured along with GM, so now the company is hobbled by legacy liabilities and other issues that were resolved with respect to both GM and Chrysler via bankruptcy. Just as the Fed and Treasury have funded payments to the counterparties of AIG, the Treasury may soon be asked to provide funding to GMAC to fund the repurchase of defaulted subprime loans sold to investors by ResCap.

Another good example for the COP to consider in this regard is the difference between the purchase of Washington Mutual and Bear, Stearns & Co. by JPMorganChase. In the case of the former, the bank was resolved by the FDIC and sold to JPM via that agency's receivership process, leaving all unliquidated claims against the parent in DE bankruptcy court. In the case of Bear, Stearns, however, the company was not restructured, so that now JPM faces the rising cost and distraction of dealing with claims by investors, the Federal Home Loan Banks and others due to the high loss rates on securitizations originated by Bear Stearns. Because GMAC was not restructured, it faces precisely the same problem with ResCap as JPM does with Bear, Stearns and Bank of America faces with Countrywide.⁸

As mentioned above, GMAC already is seeing increased expenses for repurchases of defaulted real estate loans that were previously sold to investors in securitizations. Remember that the 2006 transaction that resulted in the legal separation between GM and GMAC was done largely to window dress the financial statements of the latter and protect the growing residential real estate financing business. To quote the GMAC history on the company's web site: "GM held 49 percent stake, while Cerberus held 51 percent. GMAC Financial Services begins new era as an independent global financial services company."

Now, however, that very non-auto financing business threatens the viability of GMAC. The expansion of GMAC's business out of the original lines of car finance into these other, non-core businesses suggests very strongly to

⁸ See Nick Timaros, "Home Loan Bank Sues Wall Street Firms," *The Wall Street Journal*, February 16, 2010.

me that saving this company was not really essential. Even if you accept that there was a valid public policy objective in preserving the captive auto finance business of GMAC to support GM and Chrysler, and I do not, then the rest of GMAC's business was and is today completely extraneous to the narrow mission of financing auto dealer inventories and sales.

By not first restructuring GMAC as the *quid pro quo* for receiving government assistance, the US Treasury has weakened the ability of GMAC to finance auto sales, both in financial terms as well as the distraction of dealing with GMAC's deteriorating real estate lending business. Keep in mind that the original decision to expand into non-auto financing activities was a deliberate choice made by GMAC to subsidize the money losing auto financing lines, but today these very activities threaten the solvency of the consolidated entity, as illustrated by the repeated infusions of public funds by the Treasury. In effect, the American public is being forced to subsidize both the auto lending and non-auto businesses of GMAC under the rubric of saving the former.

The Outlook for GMAC

As noted above, our rating for Ally Bank is currently "F" as of Q4 2009 based upon our Bank Stress Index (BSI). Ally Bank has elevated BSI scores for charge-offs and equity returns and this profile has been unchanged since before the bailout by the Treasury. I have a negative outlook for GMAC as a whole because of the prospect for continuing operating losses. Some of the losses will come from on-balance sheet credit and restructuring exposures, while other areas of loss include claims made due to losses in the

securitization vehicles discussed above. Given the sub-prime nature of the ResCap securitizations and the high loss rates already visible, it is not unreasonable to expect that a significant fraction of securitized loans that default will be put-back to ResCap by investors.

Perhaps of greater concern to me in terms of the viability of the GMAC business is the focus on growing Ally Bank. As already mentioned, Ally Bank and GMAC as a whole have an operating profile that is very much like a troubled bank or S&L from the 1980s. GMAC seemingly is trying to attract funding and grow into new business areas in an attempt to extricate itself from previous problems. The bank's aggressive pricing of deposits, the lack of restrictions on withdrawals, and the rising proportion of brokered deposits are all signs of possible moral hazard, yet the State of Utah, FDIC and Fed do nothing to modify the business models of Ally Bank and GMAC.

Of greater concern to me is the stated intention of GMAC management as expressed in the most recent conference call to build an even larger Internet banking business. Of the more than 8,400 FDIC insured institutions that are covered by the IRA BSI, there are a number of banks that use the Internet for attracting deposits. Indeed, many larger US banks today have Internet banking arms that are important components of a larger marketing strategy for these organizations.

Of the few stand-alone Internet banks in the US that are comparable to the Ally Bank model, none of them are superior financial performers. The reason for this is very simple: the high cost of customer acquisition and retention. When a bank lacks brick-and-mortar branches, the only

alternative is TV, radio and print advertising and above-market interest rates on deposits. The largest free-standing Internet bank in the US is currently ING Direct FSB, which has for years been one of the poorest performing FDIC-insured large thrifts because of the high rates paid for deposits and low asset returns. I have no reason to expect that Ally Bank's attempt to build an Internet banking business will deliver significantly different results for the reasons outlined above. This is not to say that operating a profitable Internet bank is impossible, but I have yet to see any such examples with large institutions such as Ally Bank.

Overall, I am not very sanguine about the prospects for GMAC and the likelihood of the Treasury recovering its investment. I expect GMAC to continue reporting operating losses due to ResCap and the securitization exposures already discussed for the balance of 2010 and that these losses will consume the capital invested by the Treasury so far. Continued operating losses and/or claims for repurchase of defaulted loans may lead GMAC to seek further assistance from the Treasury.

Some of the GM brands that GMAC supports with financing have seen rebounds in sales, yet overall US sales volumes for GM in January are down 10% vs. the same period in 2009. Even if GM sales continue to recover from recent record low levels, with estimates for total US sales in the 11 million unit range, it is going to be another very difficult year for all automakers.

I have great sympathy for the professionals at GMAC, ResCap and Ally Bank who are trying to turn their company around, but in the current economic environment and given the new business plan articulated by GMAC management in their recent presentations to investors, I am not confident in their success. Accordingly, I have advised my clients to avoid or reduce exposure to GMAC and would oppose further infusions of capital by the Treasury. In my view, GMAC badly needs to be restructured before it will have a real possibility of revival such that it can support the growth of GM and the larger community of dealers and consumers that it serves.

I look forward to your questions.

#

Appendix A

Ally Bank (FDIC Cert# 57803)

Historical Performance from 2009												
	September	June	March	December	September	June	March	December	September	June	March	December
	2009	2009	2009	2008	2008	2008	2008	2007	2007	2007	2007	2006
IRA Bank Stress Benchmarks												
Grade	F	F	F	F	C	C	A+	A+	A+	A+	A+	A+
Stress Index Number (1995 = 1)	21.3	21.2	21.2	20.9	3	2.3	0.9	0.7	0.7	0.7	0.7	0.7
ROE, %	-0.01	-0.01	-0.01	0	0.95	1.36	7.43	8.77	9.66	11.9	12.26	3.97
Efficiency Ratio	60.10%	67.90%	70.50%	69.80%	63.00%	58.20%	50.50%	46.70%	45.60%	43.30%	46.00%	61.70%
RAROC, %	-9.97%	-2.56%	-7.53%	-26.12%	-18.00%	-25.01%	-14.03%	-32.41%	-24.78%	-17.23%	-10.08%	-80.62%

Source: FDIC/The IRA Bank Monitor

Christopher Whalen
Managing Director
Institutional Risk Analytics



Christopher Whalen is co-founder of [Institutional Risk Analytics](#), the Los Angeles based provider of bank ratings, risk management tools and consulting services for auditors, regulators and financial professionals. He leads IRA's risk advisory practice and consults for global companies on a variety of financial and regulatory issues.

Christopher currently edits [The Institutional Risk Analyst](#), a weekly news report and commentary on significant developments in and around the global financial markets. Christopher has testified before the Congress and the SEC on a range of financial issues and contributes articles and commentaries to publications such as *American Banker*, *Bank Credit Analyst* and *The International Economy*.

Christopher is a fellow of the [Networks Financial Institute](#) at Indiana State University. He currently volunteers as a member of the Steering Committee of the Washington, D.C. chapter of Professional Risk Managers International Association (www.prmia.org). Christopher served as a regional director of the PRMIA DC chapter from 2006 through January 2010.

For further information about Christopher, go to www.rcwhalen.com. A list of speeches, interviews and articles may be found at the URL: www.rcwhalen.com/articles.asp