ALLY FINANCIAL INC.

GMAC Mortgage, LLC and Residential Capital, LLC and Ally Financial

Risk Management

Prepared for the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation

Revised on December 13, 2011

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1. Overview for Risk Management

This document for Ally Financial and the Mortgage Servicing Companies (the "Document") is established in response to the Consent Order dated April 13, 2011 (the "Order") among the Board of Governors of the Federal Reserve System (the "FRB"), the Federal Deposit Insurance Corporation (the "FDIC"), Ally Bank (the "Bank"), Ally Financial Inc. ("Ally Financial" or "AFI"), certain of Ally Financial's direct and indirect subsidiaries including Residential Capital, LLC ("ResCap") and GMAC Mortgage, LLC ("GMACM" and together with ResCap, the "Mortgage Servicing Companies"), and collectively referred to as the "Companies" for purposes of the Order. Capitalized terms not defined in this Document shall have the meanings assigned to them in the Order.

The purpose of this Document is to set forth the actions and responsibilities necessary for Ally Financial and the Mortgage Servicing Companies to comply fully with its obligations under Sections 14 and 15 of the Order.

As previously communicated to the FRB, the Companies have decided to combine their responses to Sections 14 and 15 in this consolidated Document as the Companies believe enterprise risk management is a holistic and continuous process involving governance, policies, procedures, tools, methodologies and resources that transcend legal entity and organizational boundaries.

Section 3 of this Document specifies the actions being taken relative to Section 14 of the Order, whereas Section 4 incorporates the requirements of Section 15 of the Order. Appendices I through III include information relative to actions being taken to enhance AFI's Enterprise Risk Management program ("ERM Program"). Appendix IV summarizes the components of the risk management program for the Mortgage Servicing Companies ("Mortgage Risk Program"), whereas Appendix V references a framework for common allocation of roles and responsibilities relative to risk management.

Section 14 of the Order requires that:

Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 12 of this Order, Ally Financial shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The plan shall be based on an evaluation of the effectiveness of Ally Financial's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas. The plan shall, at a minimum, be designed to:

(a) *ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;*

(b) *ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the guidance entitled, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08-11); and*

(c) *establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or an authorized committee of the board of directors*

Section 15 of the Order requires that:

Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 12 of this Order[1]*, Ally Financial and ResCap shall jointly submit to the Reserve Bank an acceptable, comprehensive risk management program for the Mortgage Servicing Companies. The program shall provide for the oversight by Ally Financial's senior risk managers and ResCap's boards of directors and senior management of the development and implementation of formalized policies and mitigation processes for all identified risks to the Mortgage Servicing Companies. The program shall, at a minimum, address, consider, and include:*

(a) *The structure and composition of ResCap's board risk management committees and a determination of the optimum structure and composition needed to provide adequate oversight of Mortgage Servicing Companies' firm-wide risk management;*

(b) *a detailed description of the responsibilities of (i) the line-of-business staff, compliance staff, and the legal department regarding risk assessment and management, including, but not limited to, compliance and legal risks, and (ii) the internal audit department regarding the evaluation of the effectiveness of such risk assessment and management;*

(c) *written policies, procedures, and risk management standards;*

(d) *processes to adequately identify risk levels and trends;*

(e) *processes to adequately identify and control risks arising from incentive compensation programs;*

(f) *processes to document, measure, assess, and report key risk indicators;*

(g) *controls to mitigate risks;*

(h) *procedures for the escalation of significant matters related to risks to appropriate senior officers and board committees;*

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[1] Section 12 of the Order requires an independent consultant to conduct a comprehensive assessment ("Risk Assessment") of the Mortgage Servicing Companies' risks, including, but not limited to, operational, compliance, transaction, legal, and reputational risks particularly in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure.

(i) the scope and frequency of comprehensive risk assessments;

(j) a formal method to ensure effective communication of established risk management policies, procedures, and standards to all appropriate business line and other staff;

(k) periodic testing of the effectiveness of the risk management program; and

(l) the findings and recommendations of the independent consultant described in paragraph 12 of this Order regarding risk management.

This Document includes an action plan which describes the planned enhancements to the ERM Program and the steps Ally Financial and ResCap will undertake to execute the Mortgage Risk Program.

2. <u>Approach and Activities Conducted in Response to the Order Requirements</u>

This Document was prepared taking into consideration the following:

- **Industry practices:** The Companies retained Oliver Wyman to provide insight into industry best practices and emerging supervisory guidance on: risk management; organizational structures; delineation of responsibilities between line functions, Risk, Global Compliance and Regulatory Affairs ("Compliance"), Legal, and Audit Services ("Audit"); governance and involvement of senior management and the Board of Directors, and risk reporting. (As an example Appendix V includes an overview of common allocations of roles and responsibilities for risk management.)

- **Current state of the ERM and Mortgage Risk Programs:** The Companies and Oliver Wyman reviewed Ally Financial's and ResCap's current state risk management practices against industry best practices. Oliver Wyman personally and independently interviewed more than two dozen key stakeholders in the ERM and Mortgage Risk Programs (collectively, "the Programs") at AFI and the Mortgage Servicing Companies. The purpose of these interviews was to gain additional information regarding the Programs and to uncover areas in which the Programs were not meeting stakeholder expectations, as it related to Mortgage Servicing. Appendix IV summarizes the Programs.

- **Risk Assessment:** The Companies and Oliver Wyman leveraged the risk management recommendations and control testing results from the Risk Assessment conducted by Treliant Risk Advisors in response to Section 12 of the Order to supplement the understanding of the current state and areas of improvement.

- **Order requirements:** Ensured the Programs and action plans were cross-checked against the requirements of the Order

The scope of the current state review took into account risk management, oversight, and governance activities for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations ("Mortgage Servicing"). [redacted]

[redacted] this Document predominantly focuses on areas associated with day-to-day operations of the business. While other risk types were also considered, the review and subsequent recommendations have a heavy emphasis on operations and compliance risk.

[redacted]

The remainder of this Document is divided into the following sections.

- Section 3 summarizes Ally Financial's current ERM Program, with respect to Mortgage Servicing, areas in which the Companies believe the ERM Program is effective, and areas requiring improvement.
- Section 4 outlines the Mortgage Risk Program.
- Appendices I-III, which summarize actions being taken to enhance the Programs.
- Appendix IV, which summarizes the current state of the Programs as they pertain to the Mortgage Servicing Companies.
- Appendix V, which outlines common roles and responsibilities for risk management.

The specific action steps identified in this Document are intended to fully address the requirements of the Order, the findings from the Risk Assessment, and to be aligned with existing risk management initiatives within Ally Financial and at the Mortgage Servicing Companies. The observations which drove the recommendations in this Document are based solely on observations of activities within the Mortgage Servicing business (as per the requirements of the Consent Order). However, in creating this Document, the Companies sought enhancements that would be relevant, applicable and transferable across the entire company and for other Lines of Business ("LoB").

3. Ally Financial ERM Program

Section 14 of the Order requires that:

Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 12 of this Order, Ally Financial shall submit to the Reserve Bank an acceptable written plan to enhance its ERM program with respect to its oversight of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations. The plan shall be based on an evaluation of the effectiveness of Ally Financial's current ERM program in the areas of residential mortgage loan servicing, Loss Mitigation, and foreclosure activities and operations, and recommendations to strengthen the risk management program in these areas.

Ally Financial commenced, in earnest, the establishment of its ERM Program beginning in 2009, with the hiring of experienced executives and personnel across a number of key risk disciplines (credit, market, operations, compliance, etc.). By the end of 2009, Ally Financial had adopted, as its approach to risk management, a "three lines of defense" philosophy (see Figure 2), established a Risk and Compliance Committee ("RCC") of the Board and the Global Risk Management Committee ("GRMC"), and had adopted numerous new risk policies. Starting in 2010, AFI implemented numerous other elements of the existing ERM Program, including enhanced risk reporting to the RCC and GRMC, a Risk and Controls Self Assessment Process ("RCSA"), enhanced compliance risk assessments and compliance monitoring and testing, etc.

Accordingly, as of October 2011, Ally Financial believes its ERM Program is effectively designed. In particular, Ally Financial believes Board and Senior Management oversight at AFI is effective, the enterprise risk governance framework is well defined in the Global Enterprise Governance and Risk Management Policy, ("ERM Policy") and the Global Operational Risk Management Policy ("ORM Policy") is equally effective in design. Ally Financial also believes it has established a clear framework around risk appetite and the efforts to roll this framework out across the Companies during late 2011 and are beginning to have the desired impact, particularly given the linkage into the performance management process (first implemented in 2010) and critically important messaging on risk management from Ally Financial's Chief Executive Officer, which have occurred throughout 2011.

Ally Financial also believes it has developed policies, procedures and governance over enterprise compliance risks and programs that are effectively designed to meet industry practice and regulatory expectations, though the Companies acknowledge the compliance program also is evolving and maturing, with numerous enhancements scheduled to be implemented by the end of 2011.

[redacted]

With regard to oversight of Mortgage Servicing, specific enhancements have been underway since late 2010 that are intended to have a positive impact on the effectiveness of Ally Financial's ERM Program. These include

- Completion of a legal risk assessment
- Enhancements to Mortgage Compliance risk assessments and additional enhancements to Mortgage Compliance staffing and practices as required by Section 8 of the Consent Order
- Improvements to the audit program and audit staffing to address the requirements of Sections 16 and 17 of the Consent Order
- Enhancements to Ally Financial and ResCap board oversight and reporting as required under Section 2 of the Consent Order

- Enhancements to ERM pertaining to: a) enhancements to the policy framework across the enterprise; b) further development of limits as part of the continued evolution of the risk appetite framework; and c) enhancements to the operation of various management level committees and councils.

In addition to the improvements already underway, Ally Financial believes the effectiveness of its oversight will be further improved through the measures outlined in the remainder of this section of the Document as well as the actions listed later in this Document pertaining to the effectiveness of the Mortgage Risk Program. The effectiveness of the ERM Program requires not only the top-down aspects of governance, policy and oversight, but also effective identification, assessment, monitoring and management of risks within the business, where the risks reside.

Appendix IV incorporates more detailed information describing Ally Financial's ERM Program.

Consent Order Response to Section 14(a): Program Enhancements

Consent Order Section 14(a) requires the Plan: ensure that the fundamental elements of the risk management program and any enhancements or revisions thereto, including a comprehensive annual risk assessment, encompass residential mortgage loan servicing, Loss Mitigation, and foreclosure activities

Each aspect of Ally Financial's ERM Program—including board and senior management oversight; policies and procedures; risk identification, assessment, monitoring and mitigation; and reporting—is designed to encompass all of Ally Financial's businesses, including Mortgage Servicing. Additionally, and as described in Appendix IV, Ally Financial's Risk and Control Self Assessment ("RCSA") methodology (which was launched in 2010) requires that management assess key business processes at least annually, and the RCSA process applies to all of AFI's operations, including Mortgage Servicing.

[redacted]

Ally Financial believes that the improvement initiatives listed on page 7, as well as those identified later in this Document will enhance the effectiveness of the enterprise-wide oversight of risks in Mortgage Servicing. In addition, and as summarized in Appendix III, Ally Financial intends to launch initiatives to determine whether additional clarification and improvements are necessary in order to further enhance risk management and oversight. These efforts, which are at the core of this Document, encompass the following:

- *Roles and Responsibilities.* [redacted] Considering the evolving and maturing nature of many of these processes, activities, tools and organizations, both at AFI and the Mortgage Servicing Companies, and the importance of achieving the appropriate outcomes across all stakeholders, the effort necessary to conduct this analysis is significant and will require a series of workshops involving AFI and Mortgage Servicing Companies management and representatives of the various second and third lines of defense functions. The Companies aim to complete this exercise and determine the extent of any specific additional actions by November 30, 2011.

- *Scope of Monitoring Activities.* Concurrent with the efforts to clarify roles and responsibilities, the Companies will endeavor to further understand and document the risk control, monitoring and testing activities that take place in each of the first and second lines of defense as it pertains to Mortgage Servicing. As the first line continues to expand its own monitoring of risks and controls as noted in Appendix IV, Risk is also expanding its quality assurance activities and Compliance is expanding its monitoring and testing activities, respectively. Similarly Loan review has expanded its focus in Mortgage Servicing and Audit Services continues to include Mortgage Servicing in its scope. [redacted] The over-arching goal of the Document is to increase transparency around monitoring activities for purposes of identifying gaps and duplication. The Companies aim to inventory the scope of activities and control processes across the first and second lines of defense as it pertains to Mortgage Servicing by January 31, 2012.

- *Governance.* [redacted] the Companies will evaluate the roles of these committees and councils upon concluding the previously noted evaluations and align these committees and councils accordingly. The Companies will also evaluate the effectiveness of the MCORC's charter, its agenda, and MCORC membership, in light of the MCORC's intended purpose and will also consider whether the correct changes to management reporting, stemming from the changes to Board reporting required by Section 2 of the Consent Order, are sufficient to ensure adequate governance over Mortgage Servicing risks by AFI and Mortgage Servicing Companies Senior Management. The Companies aim to complete this exercise by February 28, 2012 and in the interim, will leverage the oversight routines performed by the Servicing Council (see Appendix IV) and the enhanced board reporting around Mortgage Servicing (as required under Section 2 of the Order).

- *Policies, Procedures and Methodologies.* Upon completion of the prior tasks, the Companies will modify, as necessary, any existing policy, procedure and/or program information to conform to any changes that result. The intent is to ensure that the policies and program materials, including tools, clearly articulate and address the practical and tactical implementation aspects of the elements of the ERM Program. The Companies aim to complete this exercise by June 30, 2012, to allow sufficient time for Legal and Compliance reviews and approval by appropriate governing bodies. Any material changes will be communicated prior to the formal policy revision, as necessary.

- *Training and Communications.* Once all of the above activities have been completed, the Companies will implement necessary training and communication programs to ensure employees are sufficiently aware of any changes, and the key aspects of the ERM Program. As part of this effort, the Companies will evaluate whether ERM Program documentation can be improved or enhanced in any way to more effectively communicate the ERM Program to all employees. These actions will be completed by September 30, 2012, to allow sufficient time for revisions to policies, procedures and methodologies. In the interim, the Companies will maintain existing training and communications materials around the ERM Program, which includes a web-based training module on Risk Appetite and Escalation.

AFI believes these actions will help ensure that the well-designed ERM Program is equally effective in execution and implementation, in particular as it relates to Mortgage Servicing.

Consent Order response to Section 14(b): *Compliance Risk Management Programs & Oversight at Large Banking Organizations with Complex Compliance Profiles (FRB: Supervisory Letter SR 08-8/CA 08-11, dated: 10/16/2008)*

Consent Order Section 14(b) requires that the Plan: ensure that the risk management program complies with supervisory guidance of the Board of Governors, including, but not limited to, the guidance entitled, "Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles," dated October 16, 2008 (SR 08-08/CA 08-11)

Ally Financial's ERM Program has been designed to comply with supervisory guidance, including the guidance contained in SR 08-08[3]. In general, supervisory guidance requires that the ERM Program:

[3] AFI's Global Compliance function has separately developed a compliance risk management framework that is consistent with SR 08-08.

- Are formally documented in program documents and/or policies and procedures
- Establish frameworks for identifying, assessing, controlling, measuring, monitoring and reporting risks across the organization
- Provide for training relative to risk management concepts throughout the organization
- Are supported by the institution's board of directors and senior management
- Are facilitated and overseen by appropriately independent corporate risk and compliance functions, who in turn play key roles in monitoring risks that transcend business lines, legal entities, and jurisdictions of operation
- Incorporate risk assessments and periodic monitoring and testing

As noted earlier and throughout the remainder of this Document, the ERM Program itself is designed to comply with supervisory guidance and to meet industry practice. Where the execution of the Companies' Programs reflects gaps to the requirements of those programs, this Document identifies actions being taken or currently in process to address such operational shortcomings. In particular, the actions pertaining to role clarity, scope of mortgage activities, governance, policies, procedures, communication and training, described on pages 9 and 10, are all designed to improve the operational effectiveness of the ERM Program.

Consent Order Response to Section 14(c): Risk Limits

Consent Order Section 14(c) states: *establish limits for compliance, legal, and reputational risks and provide for regular review of risk limits by appropriate senior management and the board of directors or an authorized committee of the board of directors*

Ally Financial adopted a Risk Appetite and Philosophy Statement (see Appendix IV) in October 2010, which expresses the risk philosophy of the Ally Financial Board of Directors and establishes the tone for risk management. The Ally Risk Appetite Framework, in turn, establishes how much risk Ally Financial is able to accept and willing to tolerate. It also provides a framework for establishing granular thresholds designed to ensure that variation from expected outcomes is consistent with risk tolerances (risk limits), and articulates how Ally Financial monitors risk exposure in comparison to these tolerances and limits. These risk tolerances directly incorporate compliance and legal risks (which are part of operational risk) and indirectly incorporates reputational risks (through the Philosophy Statement), which are reviewed periodically by the GRMC and RCC. The tolerances are listed in Figure 1 below.

Figure 1: 2011 Metrics and Limits for Legal (part of Operational) and Compliance Risks

	Components	Criteria	Statement	Tolerance – Ally Imposed
Risk tolerance	Operational Risk	Ops Risk Losses (excl. R&W)	We aim to achieve operational excellence and seek to maintain a "no material surprises" environment	[redacted]
		R&W Losses	We aim to achieve operational excellence in order to control R&W losses	
		Open Control Matters	We aim to effectively resolve open control matter issues in a timely manner (e.g. Audit, SOX, RCSA, Loan Review, Model Validation, etc.)	
	Regulatory Compliance Risk	Regulatory Compliance	Complying with all laws & regulations is a fundamental principle for Ally. In this regard, we will establish standards, controls and practices to meet this principle.	

Ally Financial's Global ERM Policy makes clear that each LoB is responsible for managing its business within the risk tolerances and limits established by the RCC, enforcing approvals within allowable limits, and establishing processes for the escalation of any and all exceptions to limits and/or policies to the applicable governing committee or function.

Ally Financial believes that the Ally Risk Appetite Framework and related metrics (approved for 2011) meets regulatory expectations, are aligned with industry practices and are well defined. Further Ally believes that the quarterly reporting of risk appetite metrics and results is a good practice. AFI continues to complete additional work around risk limits and reporting transparency. Actions necessary to address these areas have been previously outlined in a plan prepared by Risk senior management and are expected to be completed by March 2012. These actions will address limits particular to Mortgage Servicing; though the Companies note the challenges associated with defining quantitative limits for areas such as legal, compliance and reputation risk. As such, in these areas, limits may continue to be more qualitative in nature.

4. <u>Mortgage Servicing Companies Risk Management Program</u>

Section 15 of the Order requires that:

Within 60 days of submission of the comprehensive risk assessment conducted pursuant to paragraph 12 of this Order, Ally Financial and ResCap shall jointly submit to the Reserve Bank an acceptable, comprehensive risk management program for the Mortgage Servicing Companies. The program shall provide for the oversight by Ally Financial's senior risk managers and ResCap's boards of directors and senior management of the *development and implementation of formalized policies and mitigation processes for all identified risks to the Mortgage Servicing Companies.*

Pursuant to the ERM Policy, Mortgage Risk Program will, when completed be a subcomponent of the overall ERM program for Ally Financial, leveraging the same global policies, methodologies, tools and practices. As such, the programmatic aspects of the Mortgage Risk Program generally exhibit the same strengths and weaknesses exist in the enterprise programs as a whole. In that regard, the Mortgage Risk Program is aimed at incorporating oversight by the ResCap Board of Directors and through the MCORC, Ally Financial and Mortgage Servicing Companies senior management. The Mortgage Risk Program also contemplates line of business ownership of the process for identifying, assessing, monitoring and managing risks, in accordance with enterprise-wide standards, along with active oversight and monitoring by various independent second line of defense functions such as Compliance, Legal and Risk, and periodic audits and reviews by third line of defense functions, (i.e., Audit Services and Loan Review.)

Similar to the ERM Program, various aspects of the Mortgage Risk Program are maturing and/or subject to existing improvement initiatives related to prior audits, regulatory expectations and/or self-identified issues. Improvements already underway within the Mortgage Servicing Companies include:

- Completion of a legal risk assessment
- Enhancements to Mortgage Compliance risk assessments and additional enhancements to Mortgage Compliance staffing and practices as required by Section 8 of the Consent Order
- Improvements to the audit program and audit staffing to address the requirements of Section 16 and 17 of the Consent Order
- Enhancements to Ally Financial and ResCap board oversight and reporting as required under Section 2 of the Consent Order
- Actions underway to improve policies and procedures, along with actions taken to improve training, as required by Section 11 of the Consent Order
- Expansion of the nature, timing and rigor around first-line quality control and second-line quality assurance activities.
- Business Risk and Controls management was established to promote risk ownership and coordinate risk management practices across the Mortgage Servicing Companies.
- Servicing Strategy and Operational excellence was established to enhance risk controls, quality management, and business processes across the servicing business by emphasizing operational excellence.

[redacted] Other [redacted] are noted in this Document and in the following sections.

Consent Order Response to Section 15(a): Board Structure and Composition

Consent Order Section 15(a) requires the Mortgage Risk Program consider: *The structure and composition of ResCap's board risk management committees and a determination of* *the optimum structure and composition needed to provide adequate oversight of Mortgage Servicing Companies' firm-wide risk management*

While subject to further consideration by either Mortgage Servicing Companies management or the ResCap Board of Directors, both currently believe the existing structure and composition of the ResCap Board of Directors and its committees is appropriate and is designed to ensure adequate oversight of the Mortgage Servicing Companies' risk management.

The ResCap Board of Directors is comprised of five members, of which two are independent, non-management members. The two independent board members form ResCap's Audit Committee which, through a revision to its charter on September 15, 2011, now has increased oversight of the Mortgage Servicing Companies' risk management activities. The changes to ResCap's Audit Committee charter specify its responsibility for oversight of the effectiveness of risk management, governance, and internal controls maintained by the Mortgage Servicing Companies.

In carrying out this responsibility, ResCap's Audit Committee is required to review and discuss, at least annually:

- Legal and regulatory matters as presented by the Mortgage Servicing Companies' General Counsel;
- Global Security reports and activities, including complaints received regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, with specific reference to ResCap;
- The status and results of state and other regulatory body examinations
- Guidelines and policies for assessing and managing the Mortgage Servicing Companies' exposure to risks, including reputation risk, the major financial risk exposures and the steps management has taken to monitor, control, report on and as necessary disclose such exposures.

[redacted] Enhancements to board reporting have been previously proposed in the Board Oversight Plan required under Section 2 of the Consent Order. That work is underway, and is expected to be implemented by December, 2011. The Companies acknowledge that the board reporting enhancements currently underway will evolve over time, in particular as the quality of risk information improves as a result of other enhancements outlined in this Document (e.g., improved risk assessments).

Consent Order Response to Section 15(b): Roles and Responsibilities

Consent Order Section 15(b) requires the Mortgage Risk Program include**:** *a detailed description of the responsibilities of (i) the line-of-business staff, compliance staff, and the legal department regarding risk assessment and management, including, but not* *limited to, compliance and legal risks, and (ii) the internal audit department regarding the evaluation of the effectiveness of such risk assessment and management*

The ERM Policy specifies the roles of the line of business (first line of defense) and compliance, risk, legal and other second line of defense functions regarding risk assessment and management. These roles are summarized in Figure 2 below

Figure 2: The Three Lines of Defense

First Line of Defense *Line of Business*	**Second Line of Defense** *Global Compliance, Risk, Legal, and Other Control / Support Groups*	**Third Line of Defense** *Internal Audit*
Responsible for identifying, assessing, taking, and mitigating risks associated with their business. Responsibilities include : ▪ Setting strategies to manage all risks within the business unit. ▪ Reinforcing the Company's culture of compliance by example and otherwise. ▪ Ensuring that unit-specific policies, processes, procedures and staff are in place to manage risk for all products, activities and processes. ▪ Ensuring that internal controls and practices within the business are functioning and consistent with Company-wide policies and procedures. ▪ Ensuring that compliance and other required training is completed. ▪ Addressing in staff and management meetings compliance and other risk management topics as necessary and appropriate. ▪ Taking action to resolve identified deficiencies and following up on identified risk issues and other red flags. ▪ Including compliance and other risk management considerations in the performance management process. ▪ Maintaining accurate books and records and ensuring accurate and timely reporting of management information to executive management, the Board of Directors and regulators.	**These partners work with the business units to identify, assess, and mitigate all risks. Responsibilities include:** ▪ Designing and assisting in the implementation of the Company-wide risk framework that ensures the development of appropriate limits, policies, procedures and measures for all business units. ▪ Independently advising their business partners in managing risk and reward, including emerging issues. ▪ Participating in the development and approval of strategies, business processes and transactions, as well as new products or initiatives either directly or through designees with appropriate subject matter expertise. ▪ Reviewing and analyzing management data and reports to identify and escalate risks, especially those that cross multiple business units. ▪ Conducting appropriate risk-based monitoring and surveillance activities related to various business activities. ▪ Ensuring accurate and timely reporting of management information to executive management, the Board of Directors and regulators. ▪ Conducting risk based compliance or other assessments and reviews and providing independent reports and opinions to executive management and the Board of Directors.	**Corporate Audit assures the integrity of critical processes for customers, employees, and other stakeholders by independently reviewing and testing to confirm that controls are in place and functioning as intended.** **Audit also provides risk-based advice and counsel to management to help develop and maintain a risk management culture that supports business objectives. Other responsibilities include:** ▪ Assessing the effectiveness of the risk framework, including compliance with policies, processes, procedures, laws and regulations. ▪ Verifying that controls are in place and functioning properly. ▪ Performing regular reviews and evaluations of management processes and measurement systems. ▪ Reporting to the Audit Committee and the Board of Directors. ▪ As part of the third line, external Audit also provides independent views to management and the Board of Directors.

Complementing these materials, the Global Compliance Monitoring, Testing and Reporting Policy (August 1, 2011) identifies the responsibilities of Enterprise Monitoring and Testing groups versus the role of LoB/Global Function Compliance staff. Similarly, the ORM Policy (July 1, 2011), and the supporting RSCA Methodology describe the roles of various first and second line individuals and functions in the identification, assessment, monitoring and mitigation/control of risks.

Each of these documents establishes the LoB management as being principally responsible for identifying, assessing, monitoring and mitigating risks applicable to its business and/or activities, while Global Function management (otherwise known as part of the second line of defense) is responsible for policy, methodology, tools, and enforcement thereof.

Additionally, the General Counsel for the Mortgage Servicing Companies created a legal services delivery and management plan that outlined Legal's role, activities, and expectations in assuming responsibility for providing all legal services to the Mortgage Servicing Companies.

[redacted]

This Document previously addressed the need to undertake additional efforts to ensure roles, and scope of activity, are clear, and clearly understood, among first and second line of defense. These steps, outlined on pages 8-9 of this Document, are intended to address the concerns noted herein with regard to the requirements of Section 15(b).

Refer to page 20 and the response to Section 15(k) for discussion around Audit's responsibilities for evaluating the effectiveness of risk management as required by 15(b)(ii).

Consent Order Response to Section 15(c) and (j): Communication and Training

Consent Order Section 15(c) and (j) requires the Mortgage Risk Program to address:

(c) Written policies, procedures, and risk management standards; a formal method to ensure effective communication of established risk management policies, procedures, and standards to all appropriate business line and other staff
(j) A formal method to ensure effective communication of established risk management policies, procedures, and standards to all appropriate business line and other staff

Ally Financial has developed several enterprise-wide risk management policies relating to trading, credit and market risk which govern certain operations of the mortgage business. In addition, several policies and procedures relating to the business functions involved in and supporting the Mortgage Servicing Companies are in the development stage and are expected to be completed by July 1, 2012. The functional desktop procedures have been in place but are currently being adapted into the Ally Financial policy template. The CEO and President of the Mortgage Servicing Companies communicated the existence of risk management policies and procedures to all mortgage business personnel. Additional risk management standards relating to specific roles and responsibilities identified and clarified during the process outlined in section 15(b) of the Consent Order will be part of the enhancement plan.

Consent Order Response to Section 15(d), (f), (g), and (i): Risk Identification

Consent Order Section 15(d), (f), (g), and (i) requires The Mortgage Risk Program address :

(d) Processes to adequately identify risk levels and trends; processes to document, measure, assess, and report key risk indicators; controls to mitigate risks; the scope and frequency of comprehensive risk assessments

(f) Processes to document, measure, assess, and report key risk indicators

(g) Controls to mitigate risks

(i) The scope and frequency of comprehensive risk assessments

Ally Financial's ERM Policy makes clear the importance of having a "bottom-up", and cross-business identification, assessment and management of risks to provide senior management with information and reporting to appropriately manage and control risk exposures within Ally Financial's established Risk Appetite Framework.

As previously noted, the responsibility for indentifying, assessing and managing risks exists within business management and process owners. To assist in this effort, AFI's ERM team has created the RCSA, encompassing a comprehensive methodology and tools, as summarized in Appendix IV. The RSCA, which consists of Key Process Assessments ("KPAs"), completed at least annually, and Targeted Risk Assessments ("TRAs"), is the Companies' mechanism for identifying key risks, trends, Key Risk Indicators ("KRIs"), risk controls, and other related matters.

ERM launched the RCSA effort in 2010, and was heavily involved in the completion of initial KPAs and TRAs for each LoB, including Mortgage Servicing. Over time, it is expected that Mortgage Servicing Companies' management will take on greater ownership for the completion and maintenance of the RSCA process as it relates to Mortgage Servicing, as contemplated in The ORM Policy and acknowledged by Mortgage Servicing Companies management.

[redacted] RCSA efforts will be monitored by the Business Risk and Controls Group, reporting to the President, and Mortgage Operations. This, along with the work contemplated the Document regarding role clarity and scope of monitoring activities is expected to lead to improved clarity around roles, responsibilities and efforts regarding RCSA.

The Companies also note that a multitude of risk assessments exist across Ally Financial, each for a unique purpose and each owned by a different function. These include risk assessments for the following topics: compliance, anti-money laundering, fraud, privacy, Sarbanes-Oxley Section 404, and others. While most of the owners of these risk assessments participate in risk convergence efforts (designed to achieve common risk language, terminology and practices, and to share results), the Companies acknowledge that maintaining so many risk assessments requires additional effort around their completion and maintenance and efforts to ensure each risk assessment informs, and is informed by the others. While no specific action plan is contemplated herein, the Companies will continue to seek ways to streamline risk assessment processes to ensure they combine to produce a comprehensive assessment of the Companies' risks.

A enterprise-wide operational risk management framework is under continuing development that will satisfy certain regulatory requirements, such as Basel II, and provide tools to support the businesses and Global Functions in better understanding and managing operational risks. The framework timeline has been communicated with management, the Ally Financial Board of Directors, and the FRB. Some components of the framework are newly developed or in development, including methodology, governance, RCSA, and loss data collection. Other framework components are scheduled to be developed and introduced in the time-frame between the date of this Plan and 2013. These components include KRI's, scenario analysis, and operational risk capital modeling.

With regard to KRIs, it should be noted that there are numerous KRIs already in place across the Mortgage Servicing Companies and Ally Financial's other businesses. The framework efforts will be designed to inventory and refine the existing structure by establishing:

- Consistent definitions, processes and protocols;
- Escalation triggers and thresholds;
- Linkages to risks and controls, as identified in RCSAs and other risk assessment activities, to ensure that KRI's are prioritized, risk-based, actionable and comprehensive; and
- Consistent transparency to senior management, applicable committees/councils, the Ally Financial Board of Directors, and regulators.

Consent Order Response to Section 15(e): Incentive Compensation Programs

Consent Order Section 15(e) requires the Mortgage Risk Program to include: *processes to adequately identify and control risks arising from incentive compensation programs*

The Companies have implemented processes designed to adequately identify and control risks arising from incentive compensation programs for the Mortgage Servicing Companies. While many of these processes, and the related policies, procedures and organizational structures, have only been recently implemented or enhanced, the Companies believe they will be effective in mitigating the risks associated with incentive compensation programs.

All incentive/variable pay plans across AFI are required to be consistent with the requirements of the Variable Compensation Policy as adopted by Ally Financial's Compensation, Nominating and Governance Committee ("CNGC") dated April 27, 2011. The CNGC oversees Ally Financial's Annual Incentive Plan and establishes incentive pools at the end of the year considering the Chief Executive Officer's recommendations.

Ally Financial has also recently approved a Global Compensation Policy for exempt and non-exempt employees (dated October 1, 2011) which among other things, establishes guidelines and practices to identify and control risks associated with incentive compensation programs, in accordance with regulatory requirements and applicable laws and regulations. With regard to incentive/variable compensation, the policy requires that each approved plan will include a review by:

- Risk to ensure the plan does not encourage excessive risk taking and that the plan has appropriate risk balancing features
- Compliance to ensure that regulatory items are addressed as applicable;
- Total Rewards[4] to ensure consistency across LoBs and Global Functions as well as to ensure that plans for control functions are independent, as appropriate, of the results of the LoBs or Global Functions they support.

Ally Financial has also recently codified Variable Pay Procedures outlining the review and approval process for variable/incentive plans, which include procedures around approval for recoupment where necessary. These procedures also outline the responsibilities of each party to the process, including Finance, Compliance, Risk, Human Resources ("HR") and the LoB, which is responsible for establishing a plan administrator for purposes of executing payments under a variable compensation plan.

Within the Mortgage Servicing Companies, responsibility for oversight and plan administration was centralized within the Business Risk and Controls Management Group, reporting to the President of Mortgage Servicing Companies. The Business Risks and Controls Group has responsibility for the following activities with regard to incentive compensation programs for the Mortgage Servicing Companies:

- Work with HR, HR Compliance, and Total Rewards to maintain an accurate inventory of variable compensation plans and governance processes;
- Create standard workflow overviews with plan administrators and maintain procedure documentation; and
- Partner with HR to manage/validate quality performance calculations and payments.

Since creation of this structure in the first quarter of 2011, Business Risk and Controls and the HR organization (Total Rewards, HR Compliance, HR Business Partners, HR Second Line of Defense Plan Monitoring) have collaborated to strengthen the governance over all the aspects of variable compensation at the Mortgage Servicing Companies. To date, the following actions have been taken to strengthen the entire variable compensation process for the Mortgage Servicing Companies:

- Hired an additional Plan Administration Manager
- To date, six plans have been migrated, with four plans in the transition stage for which migration will be completed by 11/30/2011. Remaining six plans were already managed under Business Risks and Controls Management

[4] Total Rewards is the overall compensation and benefits team for the Company.

- Developed administrative procedures for the six plans migrated into Business Risks and Controls Management with all other procedures to be documented by the end of 2011
- Obtained approval to proceed with an automated administration system hosted by a third party vendor in 2012
- Retained an independent contractor to audit variable compensation plans
- Hired a Senior Human Resources Analyst in a compensation monitoring role
- Enhanced PeopleSoft to require all variable compensation participants to be assigned to a single plan in order to process a payment under the respective plan
- Collaborated with Total Rewards to review all plan codes and eliminate any codes not in use thereby minimizing risk of assigning participants to wrong plan codes
- Enhanced the process to approve Plan Amendments

The Companies believe the actions already in progress sufficiently address risks arising from variable compensation programs for the Mortgage Servicing Companies.

Consent Order Response to Section 15(h): Risk Escalation

Consent Order Section 15(h) requires the Mortgage Risk Program: *procedures for the escalation of significant matters related to risks to appropriate senior officers and board committees*

Escalation of significant risk and control matters can occur through both unique, ad hoc situations and also through routine and ongoing risk management practices. With regard to unique, ad hoc situations, Ally Financial's Risk Appetite and Philosophy Statement states that "anyone, at any time, can and should call attention to risks that may not be obvious and ensure that they are fully assessed and taken into account." In addition, the Companies' Code of Conduct and Ethics outlines various avenues for escalation of risks and other matters, and also incorporate the use of an anonymous hotline that is available 24/7 all year long, by which employees, vendors and others can submit any concerns regarding not only ethical matters, but also risk and control concerns. Annually, each employee is required to acknowledge their awareness of the Companies' Code of Conduct and Ethics.

Other means for escalating significant risk and control concerns arise out of ongoing risk management activities, including those related to the RCSA process (or other risk assessments) and those associated with monitoring activities (i.e., quality control, quality assurance, compliance monitoring and testing, and internal audit). In each of these areas, policies stipulate circumstances where risk and control concerns, policy violations, limit violations and the like require escalation to the appropriate management, committee, or governing body.

Certain of these routine escalation channels are operating effectively, including those pertaining to credit and market risk issues, and those related to financial controls. Others, like those pertaining to compliance and operational risks, continue to evolve along with the ERM and compliance programs themselves, where the processes by which information about risks and controls (through risk assessments and monitoring activities at both the first and second line) is either recently in place or still being developed. As these processes mature, the Companies expect to see increased reporting and escalation of risk and control issues simply as a function of having more granular and substantiated information on which to report. Furthermore, the aforementioned enhancements to risk-related reporting to the ResCap and AFI Boards of Directors, as required under Section 2 of the Consent Order, will help ensure the right risk information is being escalated to these governing bodies.

[redacted]

The Mortgage Servicing Companies launched training and awareness programs around Risk Escalation in early 2011. The training was developed internally and delivery is nearly complete, with more than 85% of employees having completed the training as of September 30, 2011. Business Risks and Controls Management maintains a procedural document outlining risk and issue escalation protocols and the further refinement, communication and training of the escalation protocols remains a significant focus for the Mortgage Servicing Companies in 2011. More broadly, ERM is developing a new required training program for all Ally Financial employees regarding the Risk Appetite Framework. This training, which also speaks to escalation, is expected to be rolled out starting in the fourth quarter of 2011.

Consent Order Response to Section 15(k): Periodic Testing

Consent Order Section 15(k) states: *periodic testing of the effectiveness of the risk management program*

The Companies believe current practices are sufficient, both in design and operation, to ensure that the risk management programs across the Companies are subject to periodic testing that is designed to ensure the effectiveness of these programs. This conclusion is supported by the following:

- Audit Services has responsibility for periodic evaluation of the effectiveness of the risk management program, while oversight over the program is the responsibility of Senior Management, the Board of Directors and various oversight committees noted above. In regards to fulfilling its obligations, Audit Services provides "assurance and consulting services-delivered in a systematic and disciplined manner-that are designed to add value, improve Ally's operations, and determine the effectiveness of the Company's governance, risk management and internal controls." In addition, Audit Services is making several enhancements to the Audit Program pursuant to Sections 16 and 17 of the Consent Order that are intended to further increase periodic testing of the effectiveness of the risk management program.
- Loan Review also maintains a charter, as part of the Global Loan Review Policy (dated July 1st, 2011), establishing its purpose as, "a control function, within Ally Financials' third line of defense, to provide the RCC and Ally Senior Management with an independent and timely assessment of, among other things,

LoB management of credit risk and the adequacy of internal credit risk policies and procedures."

- Audit's responsibilities are further articulated in the Compliance Program, which states "The Audit Group constitutes the 'third line of defense' and performs independent audit reviews of the effectiveness of the Program and the LoB Programs." The ERM and ORM Policies, also reaffirm Audit's and Loan Review's purpose as outlined in each group's respective charter.

- Both Audit Services and Loan Review prepare annual and longer-term, risk-based plans, approved by the Audit Committee and RCC, respectively, whereby audits and reviews are performed which are designed to provide sufficient coverage necessary to meet requirements for evaluating the effectiveness of the risk management program. Audit and Loan Review coordinate independent efforts to help minimize gaps and overlaps in coverage of various risks in any given period.

- Audit Services completed various actions in 2010 necessary to meet regulatory expectations. Audit Services is furthermore implementing a number of changes to its practices as a result of the Consent Order, which further strengthen the rigor of the audit process and the competency of its resources conducting audits of the Mortgage Servicing Companies and their risk management programs.

- Loan Review has been subject to an internal audit by Audit, with satisfactory results, in the past year.

Consent Order Response to Section 15(l): Findings and Recommendations of the Independent Consultant

Consent Order Section 15(l) states: *the findings and recommendations of the independent consultant described in paragraph 12 of this Order regarding risk management.*

[redacted]

To address these risks, Ally Financial has developed a plan focused on the High and Medium High inherent risks. Each High or Medium High inherent risk was assigned to an appropriate business owner who is responsible for assessing the inherent and residual risk rating, and preparing a management response on whether the business owner agrees with the rating from the Risk Assessment. If the business owner agrees, a written action plan will be created to improve the controls around this risk.

The review process was initiated in September 2011. Once all high and medium high inherent risks are addressed by the business owners, the results will be consolidated and a presentation will be made to the Mortgage Servicing Company senior management in December 2011. Enhancements plans for areas which do not have adequate controls will be outlined by January 2012.

Appendix I – Detailed Action Plan

A) Summary of Action Plan Deliverables

Below is a listing of the deliverables that support the Risk Management Plan and Program for Ally Financial and the Mortgage Servicing Companies.

1. Role Clarity: Conduct a series of workshops with key stakeholders, and create an implementation plan to clarify roles, responsibilities and scope of activities regarding risk management and oversight.

2. Scope of Activities: Follow on from the workshops to create an inventory of each first and second line groups separate risk and control monitoring activities.

3. Governance: Evaluate the roles of committees and councils to align them with the clarified roles, responsibilities and scope of activities regarding risk management and oversight.

4. Policies and Procedures and methodologies: Modify, as necessary any existing policy, procedure and/or program information to conform them to any changes that result in risk management and oversight roles, responsibilities and activities.

5. Training and Communication: Implement necessary training and communication program to ensure employees are sufficiently aware of any changes and the key aspects of the enterprise risk management program that impact their day-to-day responsibilities.

<u>Appendix II – Board Level Deliverables and Due Dates</u>

Enterprise Risk Management will review the deliverables noted above and below with the Ally Financial, Ally Bank, and ResCap Audit Committees, as applicable.

Appendix III – First Level Project Details

Deliverable	Task	Owner	Projected Start Date	Projected Finish Date
Roles and Responsibilities	Facilitate workshops to clarify roles and responsibilities as well as scope of activities among first and second line personnel monitoring	TBD	10/11/11	11/30/11
Scope of Activities	Inventory current scope of activities and control processes across first and second lines of defense as it relates to Mortgage Servicing	TBD	10/11/11	1/31/12
Roles and Responsibilities/Scope of Activities	Create a detailed implementation plan to address the findings and resolution of the workshops	TBD	1/31/12	2/28/12
Governance	Evaluate and clarify as appropriate roles and responsibilities of the various councils and committees within the Mortgage Servicing Companies	TBD	10/11/11	2/28/12
Policies, Procedures and Methodologies	Conduct risk management policy gap analysis for the lines of business and create a schedule to update global and lines of business risk management policies, prioritized by policies with the largest gaps	TBD	2/28/12	6/30/12
Training and Communications	Communicate changes, create and revise ERM Mortgage Risk Program documentation and train employees on the new policies	TBD	8/11/12	9/30/12

<u>Appendix IV – Overview of Current Enterprise Risk Management ("ERM") Program</u>

This section provides an overview of the ERM Program as October 2011. The remainder of this Appendix outlines Ally Financial's:

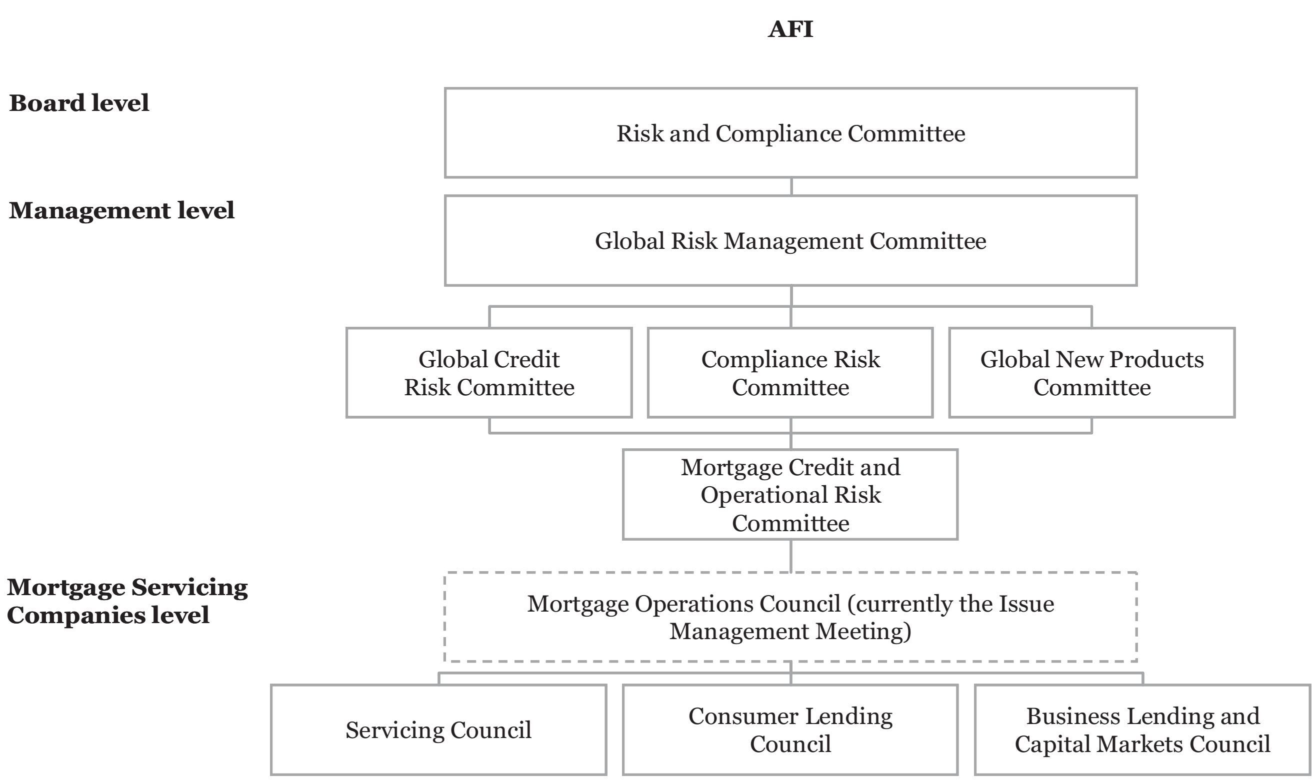
- Risk Governance Structure
- Risk Appetite and Metrics
- Risk Oversight Functions
- Risk and Control Self Assessment
- Risk Management Functions (Mortgage Servicing Companies)

A. Risk Governance Structure

Ally Financial's existing risk governance structure includes committees and councils which are established at three different levels in the organization: Board, Management, and Line of Business.

Figure 1 illustrates Ally Financial's current governance structure for the Mortgage Servicing Companies. (Other Board, Management, and Line of Business committees and councils are not shown.)

Figure 1: Governance Structure of Councils and Committees



The Risk and Compliance Committee ("RCC") is a board level committee which assists the Board in setting the Risk Appetite and tolerances for Ally Financial. This committee meets at least quarterly and oversees the management of Ally Financial's risk profile and the implementation of its risk management program, with emphasis on credit, market, liquidity, operational and reputational risks from both an enterprise and mortgage perspective.

Other responsibilities of the RCC include reviewing key reports and trends of Ally Financial's risk exposures, reviewing Ally Financial's compliance with legal and regulatory requirements, and reviewing and approving policies presented to the committee.

The Global Risk Management Committee ("GRMC") is a management level committee which provides reporting to the RCC. The GRMC provides oversight of senior management's responsibility to manage the limits and metrics in line with the tolerances set by the RCC. It also ensures implementation of Ally Financial's enterprise risk and compliance programs, and reviews and escalates risk issues up to the RCC as appropriate. The GRMC meets at least quarterly and is chaired by the Chief Risk Executive.

The Global Credit Risk Committee ("GCRC") is a management level committee which provides reporting to the GRMC. The GCRC ensures that consumer and commercial credit risks are managed in a safe and sound manner, consistent with Ally Financial's performance objectives and risk tolerances. The GCRC meets at least quarterly but special meetings may be convened by the GCRC Chairperson (Chief Risk Executive) as required.

The Compliance Risk Committee ("CRC") is a management level committee which provides reporting to the GRMC. The CRC provides oversight of Ally Financial's compliance risk management strategy and implementation of its compliance program. The committee meets monthly and is chaired by the Chief Compliance Officer.

The Global New Products Committee ("GNPC") is a management level committee which provides reporting to the GRMC. The GNPC oversees and makes decisions related to the new product development process. The GNPC meets monthly and is chaired by the Enterprise Risk Executive.

The Mortgage Credit and Operational Risk Committee ("MCORC") is a management level committee which serves as the official risk decisioning body for mortgage-related risk topics. MCORC provides oversight of all lines of business under the Mortgage Servicing Companies, including consumer lending, servicing, and capital markets. MCORC is responsible for ensuring that credit and operational risks are managed in a safe and sound manner, and that activities are consistent with Ally Financial's risk strategy and vision.

Specific responsibilities of MCORC include reviewing and approving mortgage-related origination and servicing policies and procedures, reviewing quality reports and trends, and monitoring open control matters. MCORC reviews and approves the representation and warranty reserves, establishes credit criteria for the origination of residential mortgage loans, and ensures that the necessary resources are dedicated to fully implement effective risk management programs and oversight in a timely manner.

The committee was recently formed through the merger of two committees: The Mortgage Operational Risk and Compliance Committee and the Mortgage Credit Risk Committee. This initiative was implemented to create a single forum for mortgage risks, especially given the frequent overlap of credit, operational and other risks. The committee meets at least monthly and is chaired by the Mortgage and Market Risk Executive.

At the business level, several councils and other meetings were created to serve as the forums for discussion of activities and issues related to the Mortgage Servicing Companies.

The Mortgage Operations Council is aimed at reviewing the activities and addressing the concerns of the entire mortgage operations business including consumer lending, servicing, and capital markets. One of the weekly staff meetings of the President of Mortgage Operations serves as the council meeting. [redacted] This meeting is spearheaded by a representative from Enterprise Operational Risk and is conducted on a temporary basis to focus explicitly on operational risk issues. Its agenda consists of reviewing the risk convergence report and issues that are past due or coming due, discussing issues requiring escalation, and covering Legal and Compliance updates.)

The Servicing Council was established by the Chief Servicing Officer to facilitate information sharing, address ongoing activities and concerns, and discuss tactical recommendations related to issues that impact mortgage servicing. The council is chaired by the Chief Servicing Officer and officially includes over 30 invited individuals. The council meeting occurs once a month in place of the Chief Servicing Officer's staff meeting. Therefore, the council's agenda includes financial and operational performance of the business; updates from Legal, Compliance, and Audit, and staffing and project updates, in addition to risk identification and management.

The Consumer Lending Council was established by the Executive Vice President of Consumer Lending and is responsible for oversight and information sharing of operational and reputational risk issues and tactical recommendations for issues impacting Consumer Lending. The council is chaired by the Executive Vice President of Consumer Lending and includes nearly 20 invited participants and meets monthly. The council maintains and reviews open issues, discusses action plans associated with issue resolution, reviews policies and procedures and monitoring and testing activities, and engages in oversight of activities to ensure Consumer Lending does not engage in unsafe or unsound business practices.

The Business Lending and Capital Markets team has incorporated a monthly discussion of open issues, action plans associated with issue resolution, and other risk and control-related matters at its monthly staff meeting. .

B. Risk Appetite and Metrics

The Ally Financial RCC assists the Board in setting the risk appetite. The RCC's commitment to creating a sound risk management environment at all levels of the organization is summarized in Ally Financial's Risk Appetite and Philosophy Statement:

> *"To be effective, Ally Financial proactively takes and manages risk. Our philosophy is to invest significant effort in understanding the nature and potential outcomes of the risks we take, and to incorporate those risks into how we price our products, consider and design new practices, and execute our business on a daily basis.*
>
> *We strive to embed this philosophy at all levels of our organization so that anyone, at any time can and should call attention to risks that may not be obvious and ensure that they are fully assessed and taken into account."*

One of the primary responsibilities of the RCC is to approve the Risk Appetite Framework on an annual basis. This framework sets the risk capacity, risk appetite and risk tolerances of Ally Financial, which are translated into more granular limits and indicators, to ensure all lines of business are aligned with the high-level guidelines.

The main components of the Risk Appetite Framework are depicted in Figure 2 below.

Figure 2: Risk Appetite Framework

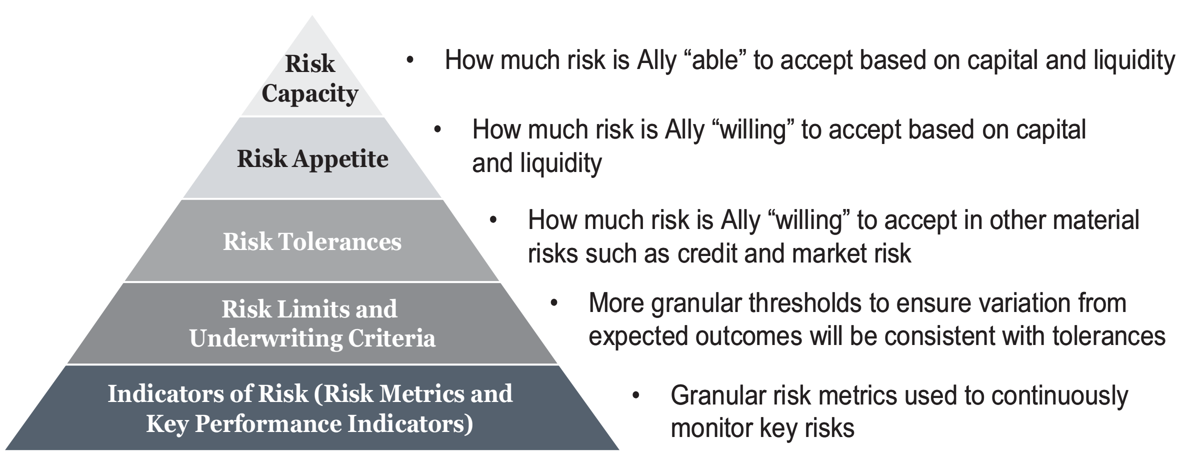


Figure **2**. The RCC is responsible for approving the top three components of the pyramid. The approach for determining Risk Capacity and Risk Appetite entails comparing current and projected capital levels to regulatory "well-capitalized" minimums and evaluating capital adequacy leveraging economic capital and stress testing. The bottom two components represent the lower-level limits and metrics which are product-specific and utilized by management to control and monitor risk at a more granular level.

The Risk Appetite Framework incorporates metrics, limits, and tolerances for interest rate, credit, leasing, insurance, market, operational (which includes legal), regulatory compliance, and profitability risks.

Table 1: 2011 Risk Appetite Metrics shows the current (2011) risk appetite metrics and limits.

Table 1: 2011 Risk Appetite Metrics

	Components	Criteria	Statement	Capacity (e.g. Reg Well-Cap Minimums)	Appetite (AFI Imposed)	Comparison (Actual=A; Forecast=F)
Risk capacity/Risk appetite	Capital Adequacy	Target Capital Ratios	We target our current and forecasted capital levels (adjusted for reasonably achievable mgmt Action Plans, e.g. MCP conversion) to exceed required regulatory and AFI-imposed capital levels	Tier I Contingent Common > 5% Tier I > 6% Total > 10% (15%)	Tier I Contingent Common > 8.5% Tier I > 10.0% Total > 12.5% (15%)	4Q10A 4Q11F 4Q12F 12.4% 11.4% 10.6% 15.0% 13.8% 12.8% 16.4% 14.9% 13.5%
			With stress losses incorporated, we target our current and forecasted capital levels (adjusted for reasonably achievable mgmt Action Plans, e.g. MCP conversion) to exceed required regulatory and AFI-imposed capital levels	Tier I Contingent Common > 5% Tier I > 6% Total > 10% (15%)	Tier I Contingent Common > 8.5% Tier I > 10.0% Total > 12.5% (15%)	4Q11F 4Q12F 10.9% 9.1% 13.5% 11.3% 14.7% 12.3%
			We target for our Tier I regulatory capital levels to exceed current economic capital levels	Tier I Regulatory Capital > Ecap	Tier I Regulatory Capital > Ecap	> by $7.3 BN (4Q10)
	Liquidity	Target Liquidity Ratios	We will maintain a reserve of excess liquidity sufficient to allow the business to operate and meet all financial obligations when access to funding is disrupted	See Liquidity metric framework	See Liquidity metric framework	See Liquidity metric framework

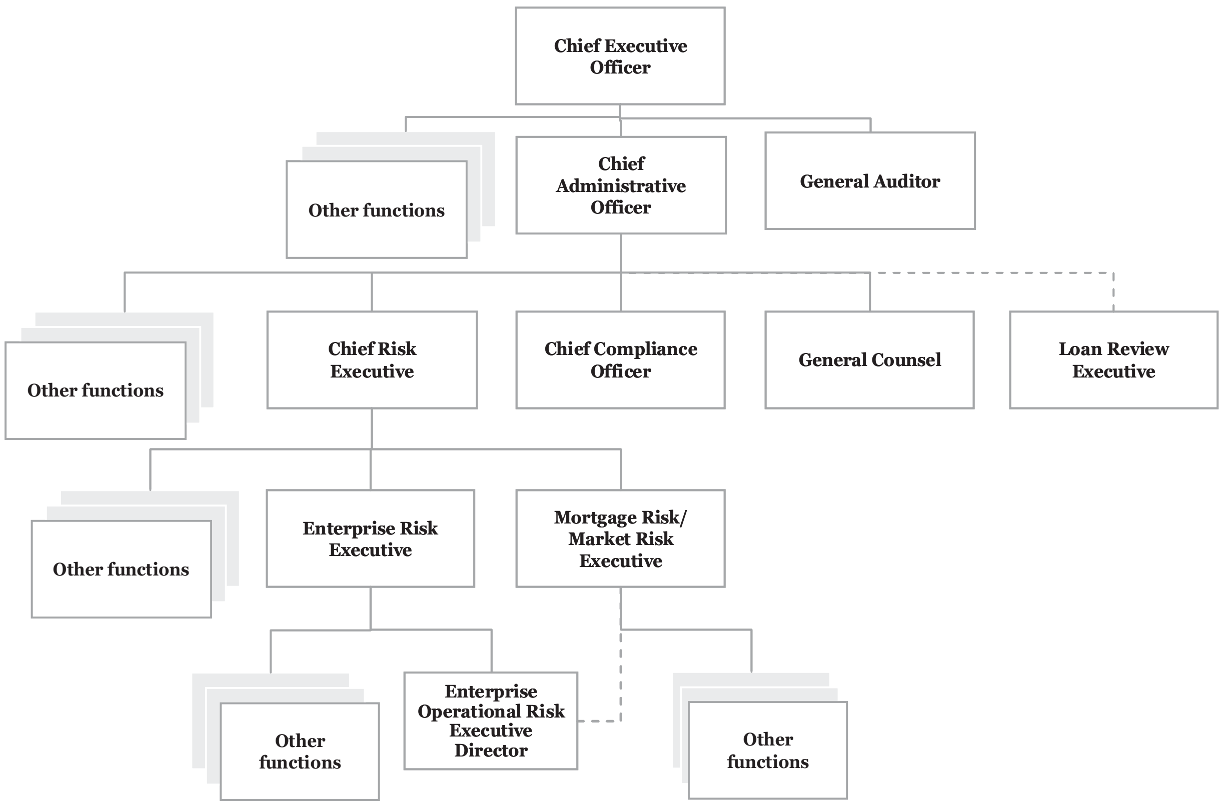
Risk tolerance

Components	Criteria	Statement	Tolerance – AFI Imposed	Comparison
Interest Rate Risk	Earnings at Risk	We seek to limit the downside change in the forecasted 12 month EaR given a +/- 100 bps interest rate shock	ALCO approved:< 10%	-100: +3.2% +100: -6.8%
	Economic Value of Equity	We seek to limit the downside change in the forecasted 12 month EVE given a +/- 200 bps interest rate shock	ALCO approved: < 20%	-200: -4.5% +200: -0.1%
Credit Risk	Credit Risk Guardrails	We will set our underwriting standards & limits to help keep portfolio losses within our portfolio guardrails	Plan, Breakeven, Capital, and Industry Guardrails	See Credit guardrails
Leasing Residual Risk	Residual Risk Guardrails	We will set our underwriting standards and limits to help keep portfolio losses within our portfolio guardrails	Plan, Breakeven, and Capital Guardrails	See Lease guardrails
Insurance Risk	Combined Ratio Guardrails	We will set our underwriting standards & limits to help keep portfolio losses within our portfolio guardrails	Plan and Breakeven Guardrails	See Insurance guardrails
Market Risk	Market Risk Limits	We will manage the market risk for market sensitive portfolios to stay within ALCO-approved limits	ALCO-approved limits	See market risk limits
Operational Risk	Ops Risk Losses (excl. R&W)	We aim to achieve operational excellence and seek to maintain a "no material surprises" environment	Annual net operational losses (not incl. R&W) < 2% of net revenues	1.02% (Jan-Nov 2010)
	R&W Losses	We aim to achieve operational excellence in order to control R&W losses	Ongoing portfolio <= 7 bps (currently $25 MM) Legacy portfolio <= Current Reserve ($808 MM)	$22 MM current reserve $808 MM current reserve
	Open Control Matters	We aim to effectively resolve open control matter issues in a timely manner (e.g. Audit, SOX, RCSA, Loan Review, Model Validation, etc.)	> 90% of open issues closed within 30 days of targeted issue resolution date (severity 1,2,&3)	12/31/10 = 94%
Regulatory Compliance Risk	Regulatory Compliance	Complying with all laws & regulations is a fundamental principle for AFI. In this regard, we will establish standards, controls and practices to meet this principle. To this end, we will meet commitments made to regulators with respect to supervisory actions in a timely and effective manner	< 5% re-open severity 1, 2 & 3 issues	12/31/10 = 0.92%
Profitability	Return on Equity	We aim to balance the risk/reward equation by staying within risk tolerances but also achieving an ROE that is favorable to the Board approved target (or Plan)	2011 YTD ROE (Net Income Ex OID/Total Equity Less OID) >= 8%	14% for 2010

C. Risk Oversight Functions

Risk, Compliance, and Legal, among other functions, comprise the second line of defense and are responsible for the measurement, monitoring and reporting of risks. Audit and Loan Review comprise the third line of defense. Figure 3 illustrates the organizational structure of the risk oversight functions.

Figure 3: Organizational Structure of Risk Oversight Functions



Mortgage Risk and Market Risk reports to the Enterprise Risk Executive and is responsible for providing oversight for all mortgage risks including credit, market and operational risks. Certain operational risk oversight activities are housed within mortgage risk and market risk. These include Quality Assurance (primarily based on investor and regulatory guidelines), fraud detection and prevention, valuation management, mortgage credit policy administration, business lending oversight, repurchase management, and servicing oversight.

Enterprise Risk Management reports to the Enterprise Risk Executive and is comprised of Enterprise Operational Risk and other central/corporate risk functions that span the Enterprise(i.e., functions that are not mortgage specific, but rather are executed using the same methodology across all of Ally Financial's LoBs and Global Functions), including ensuring consistency in the application of enterprise-wide policies. These other functions also include business continuity planning, global processes to ensure adherence to certain Basel II requirements, economic capital modeling, enterprise-wide stress-testing, corporate insurance, "top-of-the-house" credit risk data and reporting, maintenance of the risk appetite framework, country risk and enterprise risk committee reporting (e.g., RCC, GRMC, GCRC, Global New Product Committee).

Enterprise Operational Risk under Enterprise Risk Management supports Ally Financial's LoBs and Global Functions in implementing and sustaining an Operational Risk Management Framework (RCSA, loss data collection, scenario analysis, key risk indicators, risk reporting, etc.) that meets Ally Financial policy requirements and satisfies regulatory requirements.

Compliance is a Global Function, reporting to the Chief Administrative Officer, and responsible for driving Ally Financial's enterprise-wide culture of compliance with laws, regulations, and compliance policies. Compliance is comprised of two groups working together to achieve effective oversight and management of compliance risk across Ally Financial. The two groups are Enterprise Compliance Program Management ("Enterprise Compliance"), and Line of Business and Global Function Compliance Officers and their staff ("Line of Business Compliance"). The Chief Compliance Officer reports directly to the Chief Administrative Officer, thereby ensuring independence from Risk.

Under Ally Financial's current compliance risk management structure, senior management is accountable for all compliance risks in the line of business, including both existing and emerging compliance risks. Line of Business compliance officers, work with the lines of business to identify, assess, and develop solutions to mitigate and manage risks. Enterprise Compliance provides oversight, support, and guidance for Line of Business Compliance through policies and procedures, independent risk-based assessments, and training programs.

Legal reports to the Chief Administrative Officer and is responsible for identifying and interpreting changes to rules, laws and regulations which will impact business processes. It partners with Compliance to make sure lines of business are aware of current guidelines and ensure they are updating policies, procedures and processes when these guidelines change. Legal tracks relevant changes to laws and regulations in a database to analyze their implications and assess the potential impact on business processes. Legal alerts the lines of business affected by new regulations. The LoB then develops an Action Plan to address the required changes. Action Plans are subsequently cross-checked with Legal and Compliance to provide a framework intended to ensure compliance.

Loan Review is responsible for providing an objective and timely assessment of the overall quality of the consumer and commercial loan and financing portfolios. It identifies relevant trends that affect the collectability of the portfolios, isolates segments of the portfolios that are potential problem areas, and identifies commercial loans with potential credit weaknesses. Loan Review ensures accuracy and consistency of risk ratings and assesses the adherence to internal credit policies and loan administration procedures. This function also provides senior management with essential credit information to determine the adequacy of the allowance for loan and lease losses.

The Loan Review Executive is independent from the lines of business and reports directly to the RCC, with a dotted line to the Chief Administrative Officer.

Loan Review's scope includes Global Automotive Services, Commercial Finance and Mortgage. Within the mortgage business, Loan Review was originally focused on credit risk related to the origination of loans. However, it has since expanded its scope to cover servicing processes, including HAMP, collections, REO, and default operations. Loan Review will complete reviews with a frequency dependent on line of business risk profiles, portfolio trends, changes in the external environment, and results of previous reviews.

Audit Services is responsible for developing a flexible annual audit plan using an appropriate risk-based methodology approved by Ally Financial's Audit Committee. It implements and executes the approved audit plan and any other special reviews or projects requested by the Audit Committee or agreed upon with senior management.

Audit provides an independent ongoing and at least annual assessment of the adequacy of Ally Financial's processes for controlling its activities and managing its risks. It has established processes in preparing yearly, 2-year, and 3-year plans for board approval and assigning areas of audit priority based on the internal risk assessment process. Audit frequency is formally re-assessed for each auditable unit on an annual basis during the risk assessment process, and may be adjusted throughout the year based upon the occurrence of events and circumstances that could increase or decrease the entity's relative risk. Audit's risk assessment results for foreclosure and loss mitigation resulted in high priority ratings warranting annual audit plan coverage.

Audit is headed by the General Auditor who is independent from the lines of business and reports directly to the Ally Financial Audit Committee and administratively to Ally Financial's CEO.

D. Risk and Control Self Assessment

The RCSA is a two step process whereby risk owners assess the likelihood and severity of their risks (at both the inherent and residual levels) as well as effectiveness of the controls designed to mitigate or contain those risks. In the first step, all core processes within each line of business are assessed through the Key Process Assessment. Processes identified as high or medium-high residual risk go through a detailed assessment in the second step which is the Targeted Risk Assessment.

The Key Process Assessment is facilitated by Enterprise Operational Risk and is updated at least annually to keep up with material changes in the business environment and other internal controls. The Key Process Assessment identifies key plausible risks and related controls, and rates them using frequency and severity factors. The ratings are supplemented by commentary, which makes the Key Process Assessment both a qualitative and quantitative assessment.

The Targeted Risk Assessment is facilitated by Enterprise Operational Risk on high and medium-high residual risk rated processes as determined by the Key Process Assessment. The assessment determines whether the residual risk is at an acceptable level. If the residual risk level is not acceptable, a problem statement is created and a solutions analysis is performed to determine if further action is required to mitigate the risk.

Each line of business has a dedicated enterprise operational risk manager who facilitates risk identification and management activities such as the RCSA process. For example, the dedicated Enterprise Operational Risk manager for the Mortgage Servicing Companies has a dotted-line into the Mortgage Risk and Market Risk function and facilitates the execution of RCSAs within the mortgage business.

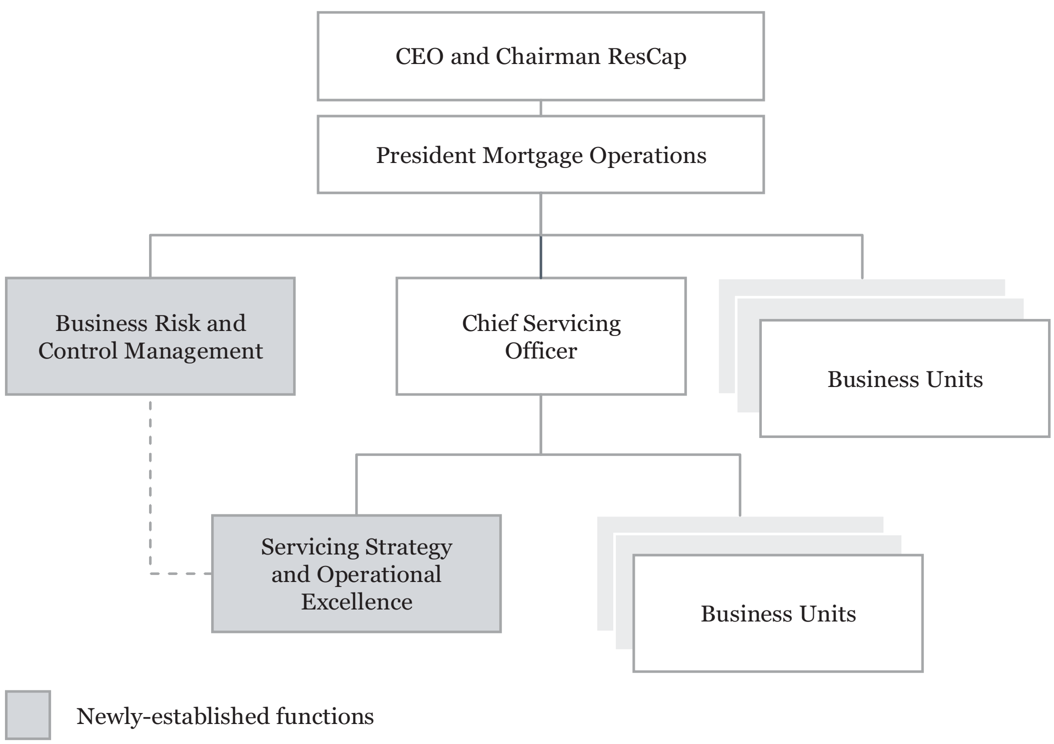
E. Risk Management Functions

Within the Mortgage Servicing Companies, risks are currently managed through two newly-established functions. These functions serve as the first line of defense and focus on identifying and addressing risks within the day-to-day activities of the lines of business as summarized below and in Figure 4:

(1) Business Risk and Controls Management was established to promote risk ownership and coordinate risk management practices across the Mortgage Servicing Companies

(2) Servicing Strategy and Operational Excellence was established to enhance risk controls, quality management, and business processes across the servicing business by emphasizing operational excellence

Figure 4: First Line of Defense Organizational Structure

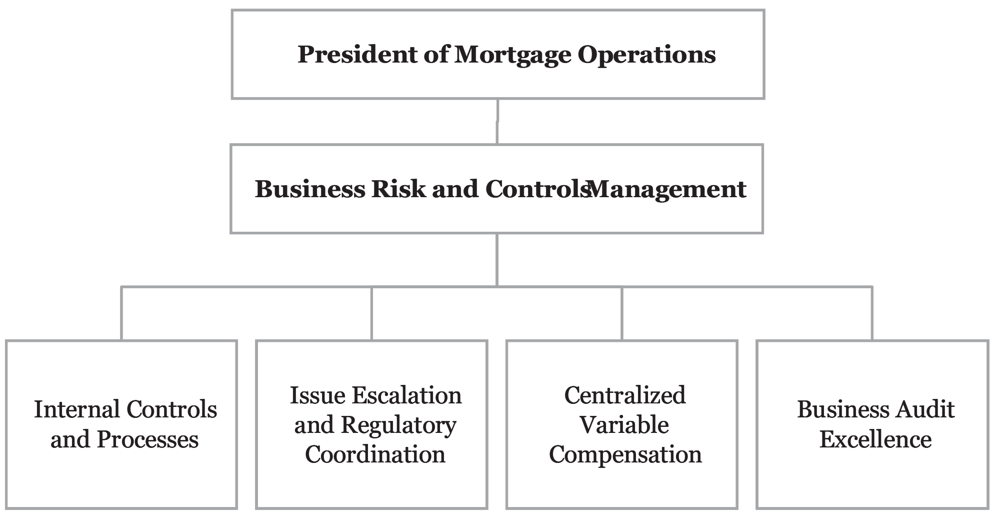


Business Risk and Controls Management

Business Risk and Controls Management serves as the point of contact between Risk and the line of business. This function was established in April 2011 (though certain of the functions within this group were already in place at that time) and verifies that internal controls are operating effectively, partners with the line of business to set risk management strategies, establishes escalation procedures, and assists the business through the internal audit life cycle.

Business Risk and Controls Management monitors new or revised business practices, system changes, and policies to ensure that risks are identified and addressed. The function aims to strengthen risk management practices within the business through the following activities illustrated in Figure 5.

Figure 5: Business Risk and Controls Management Organizational Structure



Internal Controls and Processes performs testing to ensure key operational procedures are performed timely and are adequately documented. This function conducts independent testing and monitoring to identify control gaps within the business. The function aims to strengthen the business' ownership of risk, including driving the businesses to take the lead during the RCSA process. Internal Controls and Processes also partners with the lines of business and Enterprise Operational Risk in the development of the annual Key Process Assessments and Targeted Risk Assessments.

Issue Escalation and Regulatory Coordination establishes the policies, procedures and reporting capabilities to effectively manage the issue escalation and reporting functions as well as coordinates the timely completion of regulatory requests. This function provides the line of business with training and tools for issue escalation up to Enterprise Operational Risk, Audit, and Compliance through the Issue Escalation Mailbox.

Centralized Variable Compensation monitors and updates the current inventory of variable compensation plans. Administration of the incentive compensation program is currently being centralized through an external vendor.

Business Audit Excellence maintains an open dialogue with Audit and assists the business in preparing for internal audit.

Servicing Strategy and Operational Excellence

Servicing Strategy and Operational Excellence was established in August, 2011 to help ensure adequate controls are in place within the servicing business and provide a formal, centralized process to manage change. The function reports directly to the Chief Servicing Officer. It is also dotted-lined into Business Risk and Controls Management to ensure servicing-related topics are coordinated with other mortgage risk management activities. New units are currently being formalized under this function as outlined in Figure 6.

Figure 6: Servicing Strategy and Operational Excellence Organizational Structure

The groups under Servicing Strategy and Operational Excellence include the following:

Quality Management has been established and is in the process of expanding its activities to include the full servicing spectrum (e.g. escrow, collections, cashiering, etc.), which it expects to complete by December 2011. It provides quality control feedback on business activities and aims to help the business in managing their own risks. Quality Management consists of two departments: Quality Assurance and Operational Controls.

Quality Assurance conducts internal "quality audits" to determine the status and effectiveness of personnel, processes, and vendors. These are documented reviews conducted on an ongoing basis aimed to verify in real-time that activities are being performed accurately and in accordance with policies and procedures. Operational Controls performs quality control reviews and oversees the timeline of critical business processes, including workflow tracking of foreclosure referral, pre-foreclosure sale, and Loss Mitigation activities.

Business Process Improvement recently hired the head of this group and is increasing the staff by year-end 2011.. Business Process Improvement is responsible for identifying emerging opportunities through customer excellence and tracking litigation trends that could result in control gaps. The function handles the complaint management process and conducts customer satisfaction surveys for the servicing business. Planned developments include enhancing the process to better incorporate economic and market analysis into tactical business plans.

Servicing Risk is already established, manages external (investor) audits and regulatory examinations and coordinates with external stakeholders who want to examine the servicing business. Servicing Risk is also responsible for managing the database of existing issues and action plans.

Business Strategy and Reporting is already established and provides analytics and reporting for all servicing activities. Business Strategy and Reporting tracks KPIs, KRIs, and risk metrics and develops models to track business activity in order to produce the Operations Performance report.

Servicing Platform and Strategy is already established and evaluates the effectiveness of the current servicing platform in order to determine if the platform is capable of supporting future needs. This function works alongside Policy, Procedure, and Change Control to implement required changes to the servicing platform as they become necessary.

Vendor Oversight is fully staffed and recently identified a head of the group. This function provides governance and oversight of vendors and conducts independent assessments of how the servicing business manages vendor relationships. Planned enhancements include the establishment of a dotted-line relationship up to the group responsible for managing the Third Party Management Vendor Office established pursuant to the Consent Order. As an ongoing effort, Vendor Oversight aims to ensure the alignment of vendor management activities within servicing with the supplier guidelines established at the enterprise level.

Policy, Procedure, and Change Control is in the process of identifying a head of the group while also in the process of increasing staff, with an expectation it will be completed by January 2012. Apart from ensuring that policies around desktop procedures are consistent, Policy, Procedure, and Change Control's responsibilities are to centralize the change management process and work with the line of business to implement and communicate changes. While Legal is responsible for monitoring the external environment for changes in laws and regulation, this group partners with Legal, Compliance and Training to codify and communicate such changes.

Appendix V: Typical roles and responsibilities across Risk Management activities

	1 Risk appetite and limits	2 Strategy and framework	3 Risk identification and measurement	4 Capital management
Cross-Risk	▪ Articulates bank-wide Risk appetite ▪ Converts Risk appetite into overall limits or tolerances for specific Risks	▪ Assesses Risk impact of plan, ensuring plans align with Risk appetite and resulting Risk profile is acceptable	▪ Aggregates Risks across business units, highlighting and prioritizing key Risks ▪ Identifies new and emerging Risks and responsible for new product Risk review	▪ Owns overall measurement methodology for economic capital
Risk unit	▪ Translates high-level Risk appetite and limits into business line and Risk specific limits	▪ For each Risk, assesses the impact of plan on Risk levels ensuring plans result in acceptable profile within the Risk	▪ Primary responsibility for measurement methodology and core parameters assumptions (e.g. expected loss for credit Risk)	▪ Provides key inputs into the economic capital process
Business	▪ Sets management limits within individual Risk limits	▪ Constructs bottom-up plans including a 1-2 year budget and a 3-5 year strategic plan ▪ Iterates plans with senior management to achieve overall corporate goals	▪ Primary responsibility for identification of new Risks ▪ Responsibility for Risk underwriting, decisioning and pricing	

Source: Oliver Wyman

Typical roles and responsibilities across Risk Management activities

	5 Policy and procedure	6 Model management/ oversight	7 Transactional Risk Management	8 Reporting
Cross-Risk	▪ Develops cross-Risk policies (e.g. model governance, aggregate limits) ▪ Sets policy governance structure	▪ Responsible for model Risk oversight and model validation functions		▪ Reports on aggregate Risk profile ▪ Informs senior management about critical Risks and initiates a resolution plan
Risk unit	▪ Develops Risk-specific policies (e.g. credit Risk policy, investment policy)	▪ Responsible for model development and compliance with policies for Risk models	▪ Monitors Risk versus limits ▪ Typically has transaction authority for credit Risk with varied degree of delegation	▪ Primary responsibility for Risk reporting for each Risk type
Business	▪ Provides feedback to refine policies ▪ Develops procedures to ensure compliance with policies	▪ Responsible for model development and compliance with policies for business and finance models	▪ Primary review of Risk on transactions/decisions	