



ALLY FINANCIAL INC.

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

Ally Audit Services Consent Order Action Plan

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

Revised on December 7, 2011



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Ally Audit Services Consent Order Action Plan

Plan Overview for Audit Services

This Program for Ally Audit Services (the “Program”) 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”), and 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”) for purposes of the Order. Capitalized terms not defined in the Program shall have the meanings assigned to them in the Order.

The purpose of this Program is to set forth the actions and responsibilities necessary for Audit Services to comply fully with its obligations under Sections 16 and 17 of the Order (see Appendix I). Sections 16 and 17 of the Order require that:

16. Within 60 days of this Order, Ally Financial shall submit to the Reserve Bank an acceptable written plan to enhance the internal audit program with respect to 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 internal audit program in the areas of residential mortgage loan servicing (as defined), Loss Mitigation, and foreclosure activities and operations, and shall include recommendations to strengthen the internal audit program in these areas. The plan shall, at a minimum, be designed to:

- (a) **Risk Assessment Process** (Section 1.2) and **Incremental Audit Coverage** (Section 2.4) - ensure that the internal audit program encompasses residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;*
- (b) **Center of Excellence Construct** (Section 2.1) - periodically review the effectiveness of the Enterprise Compliance Program (“ECP”) and Enterprise Risk Management (“ERM”) with respect to residential mortgage loan servicing, Loss Mitigation, and foreclosure activities, and compliance with the Legal Requirements and supervisory guidance of the Board of Governors;*
- (c) **Adequate Qualified Staffing** (Section 1.1) and **Staffing** (Section 2.2) - ensure that adequate qualified staffing of the audit function is provided for residential mortgage loan servicing, Loss Mitigation, and foreclosure activities;*
- (d) **Audit Finding Resolution** (Section 1.4.3) - ensure timely resolution of audit findings and follow-up reviews to ensure completion and effectiveness of corrective measures;*
- (e) **Documentation, Tracking and Reporting** (Section 1.4.4) - ensure that comprehensive documentation, tracking, and reporting of the status and resolution of audit findings are submitted to Ally Financial's audit committee; and*
- (f) **Issue Escalation Process** (Section 1.4.5) - establish escalation procedures for resolving any differences of opinion between audit staff and management concerning audit exceptions and recommendations, with any disputes to be resolved by the audit committee.*

17. Within 60 days of this Order, Ally Financial and ResCap shall submit to the Reserve Bank an acceptable enhanced written internal audit program to periodically review compliance with applicable Legal Requirements and supervisory guidance of the Board of Governors at the Mortgage Servicing Companies that shall, at a minimum, provide for:

- (a) **Board Approval** (Section 1.3.2) - an annual written, risk-based audit plan approved by ResCap's board of directors that encompasses all appropriate areas of audit coverage;
- (b) **Planning Process** (Section 1.3.1) - the scope and frequency of audits;
- (c) **Independence** (Section 1.4.2) - the independence of the internal auditor, audit staff, and ResCap's audit committee;
- (d) **Center of Excellence Construct** (Section 2.1) and **Audit Program Enhancements** (Section 2.3) - inclusion in the audit scope of reviews of internal controls, MIS, and compliance with GMAC Mortgage's internal policies, procedures, and processes, including, but not limited to, the Loss Mitigation and foreclosure processes;
- (e) **Audit Program Enhancements** (Section 2.3) - adequate testing and review of MIS used in servicing, Loss Mitigation, and foreclosure activities to ensure compliance with the Legal Requirements;
- (f) **Timely Completion of Audit Plan** (Section 1.3.4) - controls to ensure that audits are completed on a timely basis in accordance with the approved audit plan;
- (g) **Adequate Qualified Staffing** (Sections 1.1) and **Staffing** (Section 2.2) - adequate staffing of the audit function by qualified staff;
- (h) **Audit Finding Resolution** (Section 1.4.3) - timely resolution of audit findings and follow-up reviews to ensure completion and effectiveness of corrective measures;
- (i) **Documentation, Tracking and Reporting** (Section 1.4.4) - comprehensive documentation, tracking, and reporting of the status and resolution of audit findings to ResCap's audit committee, at least quarterly; and
- (j) **Issue Escalation Process** (Section 1.4.5) - establishment of escalation procedures for resolving any differences of opinion between audit staff and management concerning audit exceptions and recommendations, with any disputes to be resolved by ResCap's audit committee.

Audit Services (“Audit”) has assessed the effectiveness of the current internal audit program against the requirements of the Order, through review of current methodologies, routines, practices and enhancements made since October 2010 (See Attachment 1).¹ As a result of this assessment, Audit has identified areas in the Program that are operating effectively and do not require enhancement. However, Audit did identify areas where further enhancements are warranted and actions will be taken to strengthen coverage and review of residential mortgage loan servicing, loss mitigation, and foreclosure activities, including servicing related ECP, ERM, and MIS activities. These enhancements are intended to address the Consent Order as well as the findings identified in the Interagency Review of Foreclosure Policies and Practices. In addition, Audit participated in high-level discussions with peers and considered our proposed enhancements to be similar in nature.

¹ Departmental enhancements since October 2010 include development and implementation of departmental training on audit methodology (Section 1.1 page 6), a more granular annual risk assessment for 2011 (Section 1.2 pages 6-7), planning interview and process walkthrough guidance, dynamic scoping during audits, and mandatory closing meetings with required participants (Section 1.3.3 page 9).

Accordingly, this action plan is divided into two sections. Section 1 summarizes areas where Audit has concluded that the current audit program is effective as of May 2011, including:

- An audit team comprised of seasoned professionals with dedicated resources to cover mortgage-related audits.
- An enhanced 2011 granular risk assessment process, which includes residential mortgage loan servicing, loss mitigation, and foreclosure activities.
- Audit Plan development and execution that includes Ally Financial, Ally Bank, and ResCap Audit Committee approvals and monitoring controls to ensure timely Audit Plan completion.
- Audit governance that includes independence of the audit function, timely resolution of audit findings, tracking and reporting of audit findings to the Audit Committees, and an established issue escalation process.

Section 2 contains specific actions, in priority order, that Audit will take to enhance the audit program:

- Increased staffing through the hiring of additional qualified personnel, and planned use of Subject Matter Experts (“SME”) during audits of residential mortgage loan servicing, loss mitigation, and foreclosure activities. Audit will complete these actions by December 2, 2011.
- Development of a Servicing Center of Excellence (“CoE”) to enhance audits of residential mortgage loan servicing, loss mitigation, and foreclosure activities through: creation of standardized audit programs, utilization of in-house staff expertise on servicing audits, staying current on emerging servicing risks and issues, assessment of legal risks, and multiple required touch-points during servicing audits to ensure proper scoping and focus. Audit will complete these actions on September 7, 2011.
- Creation of Standardized Audit Programs for high-risk areas of residential mortgage loan servicing, including MIS and audit planning activities to ensure comprehensive coverage and testing of Legal Requirements, supervisory guidance of the Board of Governors, and compliance with mortgage’s internal policies, procedures, and processes as required areas of focus and testing. Audit will complete these actions by November 2, 2011.
- Incremental audit coverage as a result of the business unit enhancements that will be made to address this Consent Order. Audit will encompass these activities into the 2012 Risk Assessment and develop an Audit Plan that will be approved by the Ally Financial, Ally Bank, and ResCap Audit Committees by April 1, 2012.
- Audit will create and deliver training on residential mortgage loan servicing by July 1, 2012.

Audit commenced the staffing enhancement outlined in Section 2.2. All steps related to staffing are complete with the exception of training, which will be complete by July 1, 2012. Audit expects to fully complete the action plan by July 1, 2012 (Appendix I & Appendix III). In addition, Audit will review the action plan and deliverables with the Ally Financial, Ally Bank, and ResCap Audit Committees. Execution of the Action Plan steps will be confirmed through the Quarterly Progress Reports and Independent Third Party Verification required by the Order.

Effectiveness of Current Audit Program

1.1 Adequate Qualified Staffing

Audit is comprised of an integrated, highly-skilled audit team that provides internal audit services to Ally Financial, Ally Bank, and ResCap. Internal audit services, as described in the Audit Services Continuum² (See Attachment 2), include assurance services (audits and issue validation) and consulting services (advisory work and continuous monitoring).

Consistent for the past year and as of April 30, 2011, Audit has over 100 employees, 93% of whom are professional staff. Of the professional staff, 58% have core certifications (e.g. CPA, CIA, CISA, CAMS, and CRCM) with an additional 34% pursuing core certifications. 21% of the team is dedicated full time to performing mortgage related audits. The mortgage team has an average of 10+ years of audit experience with core competencies in loan servicing, loan originations, and mortgage capital markets, including applicable Legal Requirements and supervisory guidance related to mortgage audit areas. In addition, the Executive Audit Director and Audit Director of the mortgage team each have over 12 years of audit experience within the mortgage industry.

In April 2011, Audit implemented a robust learning and development program to educate and train all staff levels within the department on the audit methodology and approach to performing audits. In addition, mortgage audit team members take regulatory compliance, mortgage servicing and capital markets training using computer based training modules and / or instructor led courses. Finally, all audit team members have an annual goal to complete at least 40 hours of training, and this goal is monitored and tracked throughout the year.

While Audit has a seasoned and qualified staff as outlined above, Audit recognizes the need to further enhance and grow the audit staff to improve the effectiveness of the audit program. In addition, training enhancements over residential mortgage loan servicing, loss mitigation and foreclosure activities will be implemented and Audit will leverage external SMEs to enhance current staffing skill sets. See Section 2.2 for details on these proposed enhancements.

1.2 Risk Assessment Process

Audit performs an annual Risk Assessment process that considers all areas of Ally Financial inclusive of Ally Bank and ResCap and includes residential mortgage loan servicing, loss mitigation, and foreclosure activities. The 2011 Risk Assessment was enhanced from the 2010 Risk Assessment, using a more granular methodology, and included a review of 220 entities across Ally Financial. Specific enhancements include: automation via the [REDACTED] module within the [REDACTED] audit software, use of the enterprise risk convergence structure, alignment of the audit universe to the standard organizational structure, modifying the risk categories used to assess risks,

² The Audit Services Continuum (finalized in September 2010) explains the various types of work performed by Ally Audit Services and the percentage of time within the audit plan dedicated to the various activities. For example, 80-90% of the Annual Audit Plan is dedicated to performing assurance services (audits and issue validations).

and developing guidance to help assess inherent risk and control strength, and to help ensure adequate consideration of compliance and information technology risks.



As part of the risk assessment process, Audit conducted extensive meetings with all levels of management to review and discuss the Risk Assessment results. In addition to the improvements noted above, Audit will further enhance audit coverage and scoping of residential mortgage loan servicing, loss mitigation and foreclosure activities. See sections 2.1, 2.3, and 2.4 for further details on these enhancements.

In addition, the company initiated a risk convergence program to leverage complementary risk assessment results and other data to help assess risk across the organization. Where documented, Audit leverages other risk-related assessments from Legal, Enterprise Compliance Program (“ECP”), Enterprise Risk Management (“ERM”), Control Self-Assessments (CSA), and SOX Control Assessments. While Audit’s risk assessment is independent, these efforts help to confirm results and reduce conflicting or contradictory information.

1.3 Development and Execution of Audit Plan

1.3.1 Annual Planning Process

As an output from the annual risk assessment process described above, Audit develops a three-year rolling audit plan. The risk-scoring model within the risk assessment factors both inherent risk and strength of controls across nine risk categories (Financial, Credit, Operational, Compliance, Human Capital, Market, Liquidity, Strategic & Reputation, and Governance) and generates a risk score to determine audit priority. Audit priority determines the frequency of coverage whereby a priority 1 rating corresponds to annual coverage; priority 2 corresponds to biennial coverage; and priority 3 triennial coverage (See Exhibit 1). In addition, audits can be included on the audit plan due to regulatory requirements, management requests, or other factors. For example, the Non-Traditional Mortgage Products audit was added to the 2011 Audit Plan due to a regulator expectation and the Document Custody audit is conducted annually due to a regulatory requirement.

Exhibit 1 - Audit Priority Matrix

		Strength of Controls			
		Strong	Satisfactory	Needs Improvement / No Assurance	Unsatisfactory
Inherent Risk	High	Priority 2	Priority 2	Priority 1	Priority 1
	Med High	Priority 2	Priority 2	Priority 2	Priority 1
	Med Low	Priority 3	Priority 3	Priority 2	Priority 2
	Low	Priority 3	Priority 3	Priority 3	Priority 2

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 audit year based upon the occurrence of events and circumstances that could increase or decrease the entity's relative risk. For example, the results of Global Security investigations or changes to laws and regulations could increase an entity's relative risk whereas discontinued operations or ceasing business activities could decrease an entity's relative risk. In addition, results from the Audit Continuous Monitoring Program (meetings with business management, review of operation reports, etc.) is another process used by Audit to assist in determining potential changes in priorities or risk, and resultant audit scopes.

1.3.2 Board Approval of Plan

Audit presents the annual audit plan to the Ally Financial, Ally Bank, and ResCap Audit Committees by April 1, 2012 for approval prior to the commencement of annual work. Each of these Committees is comprised of independent representatives from the Board of Directors, and the Audit Committees are responsible for assisting the Board of Directors in the oversight over the work of the Internal Audit Department. Those responsibilities include review and approval of the annual internal audit plan. In this capacity, the Audit Committee is performing its duties as authorized by the Board of Directors. Approval of the audit plan(s) are documented in the minutes of these meetings, and changes to the plans during the year are also presented and subject to Audit Committee approval.

1.3.3 Execution of Audit Plan

Ally's audit process consists of a robust three-phase audit approach (Planning, Fieldwork, and Reporting) as depicted in Exhibit 2 below. All audit work completed within each phase is documented and retained within the [REDACTED] audit work paper system (effective March 1, 2011). In addition, Audit conducts post audit activities after the reporting phase, which includes timely resolution and follow-up on audit findings (see section 1.4.3 for further details).

Exhibit 2 – Phases of Audit Execution



Audit implemented procedural enhancements to the audit process in March 2011. The enhancements included:

- Specific guidance and direction to audit teams conducting planning interviews. (See Attachment 3a)
- Process walkthrough guidance, including a requirement to conduct process walkthroughs prior to finalizing audit scopes. (See Attachment 3b)
- Dynamic scoping to promote continued management discussions on emerging risks and other information throughout the audit that might require a change in audit scope.
- Mandatory closing meetings for all audits, including required attendance by relevant Risk, Compliance, Legal, and other functional partners to the business, and affirmation by attendees as to whether they are aware of any other matters that are relevant to the audit that may potentially impact Audit's opinion. This affirmation is captured within the audit work papers related to the audit-closing meeting.

1.3.4 Timely Completion of Audit Plan

Audit has several controls to ensure timely completion of the Audit Plan. These controls include a formal change process for additions and deletions to the plan, weekly and monthly reporting on status, and quarterly reporting to the Audit Committees. Audit has considered how this Action Plan will impact the goal of completing the Audit Plan, and has taken steps to ensure its timely completion by hiring additional staff, leveraging co-source, and continuing to execute on the Plan.

The Audit Professional Practices Group provides a detailed listing of audits by status to the General Auditor and Executive Audit Directors on a weekly basis. This report captures the detailed status of each audit in process. Appropriate follow-up is performed by the Audit Leadership Team to ensure audit activity remains on track. If timing concerns are identified, discussions are held between the General Auditor and the Executive Audit Directors to determine the appropriate steps that will be taken to remove any delays and / or provide necessary communication to the Audit Committees.

On a quarterly basis, Audit presents to the Ally Financial, Ally Bank, and ResCap Audit Committees details on the audit plan progress and any changes to the plan. Changes to the plan require Audit Committee approval.

Audit has a department goal of completing 90% of the audit plan by February 28 (the end of the audit plan year), with the remaining 10% completed no later than March 31. Audit monitors and reports on this goal, and all other department goals on a monthly basis, through the Audit Services Monthly Operations Report. An excerpt of this report that provides evidence of the Audit Plan monitoring is included as Attachment 4. In addition, the full report is provided to Audit personnel, the Federal Reserve Bank Examiners and executive management to facilitate oversight and monitoring over Audit's annual goals. Finally, Audit formally presents an update on department goals, including the audit plan

completion goal, to the Ally Financial, Ally Bank and ResCap Audit Committees quarterly.

1.4 Audit Governance

1.4.1 Audit Charter

Audit has an established Audit Charter (see Attachment 5a) that details Audit's mission, scope, accountability and responsibilities, independence as well as objectivity, authority, and standard of audit practice. The Audit Charter was substantially modified in 2010 following a detailed benchmarking against industry peers, and reviews by Legal, outside counsel, and the external auditors. In addition, the Ally Financial, Ally Bank, and ResCap Audit Committees have established Charters (see Attachments 5b, 5c, and 5d) that detail the Committees' mission, membership, duties and responsibilities.

1.4.2 Independence of General Auditor, Audit Staff, and Audit Committee

The Audit Charter and Audit Committee Charters mandate that Audit personnel report to the General Auditor, who in turn reports functionally to the Audit Committee of the Board of Directors of Ally and administratively to Ally's Chief Executive Officer. This reporting structure and organizational position helps ensure Audit maintains appropriate independence and stature within the organization. To further promote the General Auditor's independence from management, the Ally Financial Audit Committee is responsible for reviewing the appointment, performance, compensation, replacement, reassignment, or dismissal of the General Auditor. In addition, the Executive Audit Director responsible for mortgage audit activities reports to the ResCap Audit Committee and the Ally General Auditor. Finally, the Ally Bank Audit Director reports to Ally Bank Audit Committee and administratively to the Ally Bank Chief Executive Officer.

Each Audit Committee (Ally Financial, Ally Bank, and ResCap) is comprised of external Board members who must meet the applicable independence and experience requirements to serve on each Committee. The independence and experience requirements are defined within the Membership sections of each Audit Committee Charter. In addition, management is implementing a process to review Membership requirements on an annual basis to ensure members of each Audit Committee maintain independence and experience requirements.

1.4.3 Timely resolution and follow up of audit findings

Audit has a robust process for follow up reviews on audit findings and assessment of corrective measures to ensure audit findings are promptly and appropriately remediated by management. The follow up process includes audit team follow-up with management on all open issues every 30 days, testing procedures to validate the design and operational effectiveness of management action plans (for those assigned high or moderate priority ratings), and documented evidence to support conclusions on validation work. In addition, tests of design are performed on low priority management action plans to ensure corrective actions were taken. In the event validation testing does not support management's closure of the corrective actions, Audit will "re-open" the audit finding. All re-opened audit findings are

reported to the Audit Committees quarterly. This reporting brings greater attention to the issues and subsequent updates are made to the Audit Committees to ensure management takes action to address the issues. In addition, Audit has established metrics, which are monitored and reported to each Audit Committee quarterly, to ensure timely performance of issue validations for high and moderate priority issues. The current process was implemented and has been operational since March 2010.

The timely resolution of audit findings is also an area of focus across the enterprise, including Ally Financial's CEO initiative on issue escalation (See Attachment 6). Open issue discussions take place during Operations Risk and Compliance Committee meetings held within each line of business, and during business reviews with executive leadership. In addition, Risk Convergence Reporting captures all risk issues across the enterprise, including open, past due and re-opened audit issues, and that facilitates timely resolution of audit findings and further demonstrates executive management's commitment to correct open issues in a timely manner.

1.4.4 Documentation, tracking and reporting

Audit provides quarterly reporting to the Ally Financial, Ally Bank, and ResCap Audit Committees on the status and resolution of audit findings and audit report results, including audit issues and management action plans. Audit also presents the status of open and past due audit issues to the respective Audit Committees. The combination of Audit's reporting and the Risk Convergence reporting noted above in 1.4.3 elevates focus and attention on past due or re-opened issues to ensure management addresses them timely.

1.4.5 Issue Escalation Process

The Audit Charter specifically states that Audit has a responsibility to "Report significant disagreements with management and/or any limitations on Audit's Independence, Objectivity or Authority to the Audit Committee". Audit works with management to resolve differences of opinion. These activities include discussion and escalation of the differences through all levels of management and up to the General Auditor. If differences of opinion concerning audit exceptions and recommendations cannot be resolved, Audit does allow management to document their difference of opinion in an audit report. Audit will also document the difference of opinion and will review this dispute with the appropriate Audit Committee during special or regularly scheduled meetings if warranted. All such disputes will ultimately be resolved by the Audit Committees.

2. Specific Planned Audit Program Enhancements to Strengthen Residential Mortgage Loan Servicing, Loss Mitigation and Foreclosure Activity Reviews

2.1 Center of Excellence ("CoE") Construct

As noted previously, one measure Audit will take to enhance audit coverage of residential mortgage loan servicing, loss mitigation, and foreclosure activities, including servicing related ECP, ERM, and MIS activities, is to develop a Servicing CoE. Servicing CoE members will be identified by July 13, 2011 and will be comprised of existing audit staff and include CoE Champions and SMEs who will be

the core team accountable for executing the CoE responsibilities noted below. CoE Members will include audit personnel with prior automotive and mortgage servicing, compliance, operational risk management, or information technology audit experience. Audit will establish a specific Servicing CoE charter that will formally outline the authority, purpose, and responsibilities of both CoE members and audit teams across Audit. This Charter will be drafted by August 3, 2011, and will be reviewed by Audit Leadership by August 10, 2011 with any changes incorporated by August 17, 2011. The CoE Charter will be approved by the General Auditor, finalized and communicated to the Audit team by September 7, 2011. CoE responsibilities will include, but not be limited to, staying abreast of both mortgage and automotive loan servicing emerging issues, ongoing assessment of emerging legal risks and regulatory changes, and active engagement in servicing continuous monitoring activities.³ Additional CoE responsibilities will include, contributing to advisory projects that assist the servicing business corrective action plans, development of departmental training on auditing servicing areas, and input into servicing audit scoping, findings, and reporting.

The CoE is intended to provide a consistent audit approach over both audits of residential mortgage and automotive loan servicing through sharing of knowledge, leveraging staff members with servicing expertise, and active engagement on servicing audits. In addition, the CoE creates a forum to capture cross-firm risks that could exist within the company. Once established, the CoE should provide a solid foundation for audit planning and scoping of residential mortgage loan servicing, loss mitigation, and foreclosure activities, and assist the department in further developing staff skill sets required to audit these areas.

The charter will define the role of the CoE in the involvement and oversight over loan servicing audits, and will include requirements to monitor for changes in compliance and Legal Requirements, and supervisory guidance of the Board of Governors. In addition, the CoE will ensure an enhanced review of ECP, ERM, MIS, Mortgage Electronic Registration Systems (MERS), internal controls and compliance with GMACM internal policies and procedures for residential mortgage loan servicing, loss mitigation, and foreclosure activities through active input into the scopes of audits of these areas going forward. Finally, the CoE will leverage existing areas of expertise within Audit (Compliance, Third Party Management, and Training), where needed, to enhance the audit programs for residential mortgage loan servicing, loss mitigation and foreclosure activities. Audit will complete the Servicing CoE construct by September 7, 2011 (Appendix 1, Deliverable 1).

2.2 Staffing

An initial staffing skill set review was completed on May 17, 2011 and a staffing needs assessment was completed on May 19, 2011. The assessment was reviewed with the General Auditor on May 20, 2011 with all edits made the same day. Finally, the assessment was reviewed with Human Resources on May 23, 2011 with the positions being posted on May 24, 2011 (See Attachment 7). Based on this Audit plans to add an additional seven auditors (One Staff Auditor and Six Senior Auditors)

³ Continuous monitoring activities will include participation in management meetings, review of management reporting including volume growth of key activities and related staffing requirements, and comparison to peers.

by October 24, 2011 to the approved departmental headcount (four to the mortgage team, two to the compliance team, and one to the professional practices team) to achieve the known incremental actions undertaken by Audit as part of this action plan. These positions will be posted by May 23, 2011 with all positions filled by October 24, 2011. The headcount additions are intended to provide greater audit coverage of residential mortgage loan servicing, loss mitigation, and foreclosure activities, and will be used to implement the audit enhancements identified in this plan. Once the CoE charter and Standardized Audit Programs are implemented, Audit will perform a reassessment of staffing levels to determine if additional headcount is required and review the assessment with the General Auditor by November 18, 2011. If Audit determines additional headcount is required, staffing needs will be reviewed with the General Auditor and Human Resources by December 2, 2011.

In addition to internal SMEs, Audit plans to engage external SMEs for high-risk residential mortgage loan servicing audits, including loss mitigation and foreclosure activities by November 15, 2011. These SMEs will provide consultation on industry perspective and input into the planning and scoping of such audits. Audit estimates the use of significantly higher external SME hours annually to assist with audits of residential mortgage loan servicing. These external SMEs will be required to have specific expertise related to the areas being audited, and their experience may be beyond internal audit or accounting related fields (i.e. Legal, Compliance, Risk Management, etc.). Audit will leverage existing co-source arrangements to procure the necessary external SME skill sets needed.

Finally, Servicing CoE members and audit teams conducting servicing audits will participate, as appropriate, in additional training offered either by Mortgage Training or by an outside firm to help maintain those individuals' awareness of Legal Requirements, supervisory guidance, and policies and procedures.

Audit will complete the staffing actions by December 2, 2011 (Appendix I, Deliverable 2), and the training by July 1, 2012.

2.3 Audit Program Enhancements

The Servicing CoE will develop Standardized Audit Programs for high-risk areas of residential mortgage loan servicing, including loss mitigation and foreclosure activities by November 2, 2011. The contents and coverage of these programs are dependent upon the outcome of additional actions being taken by the business and support functions as a result of the Consent Order. These Programs will be drafted by October 5, 2011 and benchmarked with external SMEs and Legal, Risk, Compliance and Servicing Management by October 25, 2011, to ensure the planned coverage and testing strategies are effective, comprehensive, and capture testing of specific Legal Requirements (both State and Federal) and supervisory guidance of the Board of Governors. Audit will incorporate changes from external SMEs and Legal, Risk, Compliance and Servicing Management by October 31, 2011 and then review the Standardized Audit Programs with Audit Leadership. During the development of these audit programs, Audit will include test steps to review internal controls, MIS (includes technology platforms, applications and other information system components), Third Party Management (includes contract development), and

compliance with mortgage's internal policies, procedures, and processes as required areas of focus and testing. Finally, Audit will review and incorporate test steps into the Programs to cover findings identified in the Interagency Review of Foreclosure Policies and Practices Report issued in April 2011.

In addition, the Servicing CoE will develop a Planning Audit Program that will include procedural steps to ensure the review of ECP, Legal, and ERM Risk Assessments as well as Control Self-Assessments and SOX Control Assessments. Audit will use the results of these risk assessments to assist in defining the audit scope by incorporating identified material risk exposures of residential mortgage loan servicing, loss mitigation, and foreclosure activities into the audit coverage.

Once established, the programs will be reviewed, at least annually, and updated as necessary to ensure relevance. Audit will complete the standardized audit programs by November 2, 2011 (Appendix I, Deliverable 3).

2.4 Incremental Audit Coverage

As a result of impending changes, resulting from management action plans related to the overall Consent Order, Audit plans to evaluate and enhance mortgage related audit scopes. The timing of the reviews will be determined as part of the 2012 Audit Risk Assessment and Audit Plan development process that will be completed and presented to the Ally Financial, Ally Bank, and ResCap Audit Committees by April 1, 2012. Specifically, Audit plans to include coverage in the following areas:

- **Risk Assessment** – Audit will utilize the independent risk assessment of servicing being conducted to comply with Sections 12 and 13 of the Consent Order to determine if any changes to the 2011 Audit Plan are warranted. In addition, Audit will use the independent risk assessment as an input into the 2012 Audit annual Risk Assessment, and to assist in the development of the audit scope for reviews of residential mortgage loan servicing, loss mitigation, and foreclosure activities and operations. The 2012 Audit annual Risk Assessment will commence in December 2011 and results will be reviewed with the Audit Committees in March 2012. By November 7, 2011, Audit will begin using the independent risk assessment during the planning of residential mortgage loan servicing audits.
- **Foreclosure Review** – Audit will review the results of the independent review of residential mortgage foreclosure actions required under Sections 3 and 4 of the Consent Order, and validate that the appropriate corrective actions were taken by management. Audit will incorporate process changes and improvements resulting from this review into control testing for servicing audits, as applicable. Since October of 2010, Audit has completed two Advisory projects, the first completed on December 16, 2010 and the second completed on October 27, 2011, to assist the business with remediation efforts. Audit also expects additional audit coverage in the 2012 Audit Plan that will be developed by April 1, 2012.
- **Single Point of Contact (“SPOC”)** – Going forward, Audit will incorporate SPOC control testing into loss mitigation and foreclosure audits or advisory projects to comply with section 5 of the Consent Order. As part of this review, Audit will ensure that servicing management has developed effective

controls to maintain adequate staffing in order to meet the SPOC goals and objectives. Audit is currently performing a design review of the SPOC process as part of the 2011 Loss Mitigation – Loan Modification audit with the work scheduled to be completed by March 1, 2012.

- **Third Party Management (“TPM”)** – Audit will evaluate the procedures that encompass enhanced controls to adequately monitor and track vendor selection, contracting, and performance for residential mortgage servicing audits, where warranted. Such TPM testing will be conducted to comply with Section 6 of the Consent Order. Coverage of TPM is a required step within the Standardized Audit Programs. As noted above, audit will include TPM within the 2012 Audit Risk Assessment and ensure adequate coverage in the 2012 Audit Plan that will be developed by April 1, 2012.
- **ECP and ERM** – Once fully developed and operational, Audit will ensure reviews of ECP and ERM include a review and assessment of the effectiveness of these programs over residential mortgage loan servicing, loss mitigation, and foreclosure activities. Audit completed an audit of the Global Compliance and Regulatory Affairs on February 24, 2011 and Operational Risk Management on February 22, 2011. Audit will include ECP and ERM within the 2012 Audit Risk Assessment and ensure adequate coverage of the effectiveness of ECP and ERM over residential mortgage loan servicing in the 2012 Audit Plan that will be developed by April 1, 2012.
- **MERS** – Audit will add a dedicated MERS audit to the audit universe that will include control testing to ensure compliance with MERS membership rules, terms, and conditions, including mortgage assignments and endorsements, certifying officers, resolutions, reporting, and quality assurance. Such MERS testing will be conducted to comply with Section 9 of the Consent Order. The timing of this audit will be dependent on the completion of the MERS Consent Order Action Plan, but it will be included within the 2012 Audit Risk Assessment and Audit Plan that will be developed by April 1, 2012.
- **Consent Order Action Plan Review** – Audit will perform a detailed review of finalized action plan deliverables for Mortgage Servicing Compliance (Section 8 of the Consent Order), MIS, Training, and SPOC to ensure the plans are reasonable, measurable, and clearly written. Audit completed this review on July 13, 2011.
- **Consent Order Finalized Action Plan Deliverables** - Audit will perform issue validation on completed management actions to be determined by the Ally Financial, Ally Bank, and ResCap Audit Committees.

Appendix I

Below is a listing of the deliverables that support the Audit Consent Action Plan.

1. Servicing CoE – September 7, 2011
2. Staffing Analysis and Reassessment – December 2, 2011
3. Standardized Audit Programs – November 2, 2011
4. Audit Annual Risk Assessment and 2012 Audit Plan– April 1, 2012
5. Training – July 1, 2012

Appendix II

Audit will review the deliverables noted above and below with the Ally Financial, Ally Bank, and ResCap Audit Committees.

Appendix III

Deliverable	CO Section	Task	Owner	Start Date	End Date
Servicing CoE	16 (b) & 17 (d)	Establish a cross functional CoE team from Audit	[REDACTED]	7/13/11	7/13/11
Servicing CoE	16 (b) & 17 (d)	Draft CoE Charter	[REDACTED], Executive Director	7/13/11	8/3/11
Servicing CoE	16 (b) & 17 (d)	Review Draft CoE Charter with Audit Leadership	[REDACTED], Executive Director	8/3/11	8/10/11
Servicing CoE	16 (b) & 17 (d)	Incorporate changes into the CoE Charter	[REDACTED], Executive Director	8/10/11	8/17/11
Servicing CoE	16 (b) & 17 (d)	Obtain CoE Charter Approval from General Auditor	[REDACTED], Executive Director	8/17/11	9/7/11
Servicing CoE	16 (b) & 17 (d)	Finalize and Publish CoE Charter	[REDACTED], Executive Director	9/7/11	9/7/11
Servicing CoE	16 (b) & 17 (d)	Communicate CoE to Audit	[REDACTED], Executive Director	9/7/11	9/7/11
Staffing Analysis	16 (c) & 17 (g)	Assess current staffing skill sets	[REDACTED], Executive Director	5/1/11	5/17/11
Staffing Analysis	16 (c) & 17 (g)	Assess current audit staffing needs to execute consent order action plans, Foreclosure Advisory work and existing Servicing Audits	[REDACTED], Executive Director	5/17/11	5/19/11

Deliverable	CO Section	Task	Owner	Start Date	End Date
Staffing Analysis	16 (c) & 17 (g)	Review initial assessment with General Auditor	██████████, Executive Director	5/19/11	5/20/11
Staffing Analysis	16 (c) & 17 (g)	Incorporate changes to the staff analysis	██████████ Executive Director	5/20/11	5/20/11
Staffing Analysis	16 (c) & 17 (g)	Based on results of analysis, review results with Human Resources	██████████ Executive Director	5/20/11	5/23/11
Staffing Analysis	16 (c) & 17 (g)	Post position and hire additional staff.	██████████ Executive Director	5/24/11	10/24/11
Staffing Analysis	16 (c) & 17 (g)	Reassess staffing needs resulting from Consent order deliverables 1 and 3	██████████ Executive Director	10/27/11	11/18/11
Staffing Analysis	16 (c) & 17 (g)	Review initial assessment with General Auditor	██████████ Executive Director	10/27/11	11/18/11
Staffing Analysis	16 (c) & 17 (g)	Incorporate changes to the staff analysis	██████████ Executive Director	11/18/11	12/2/11
Staffing Analysis	16 (c) & 17 (g)	Based on results of analysis, review results with General Auditor and Human Resources	██████████ Executive Director	12/2/11	12/2/11
Staffing Analysis	16 (c) & 17 (g)	Post new audit positions, if necessary	██████████ Executive Director	12/2/11	12/2/11
Staffing Analysis	16 (c) & 17 (g)	Onboard new positions, if necessary	██████████ Executive Director	12/2/11	12/2/11
Standardized Audit Programs	17 (d)	Draft Audit Programs for Planning, Foreclosure, Loss Mitigation, Bankruptcy and MIS	██████████ Executive Director	9/15/11	10/5/11
Standardized Audit Programs	17 (d)	Review programs with Legal, Servicing Risk, Compliance and Servicing Management	██████████ Executive Director	10/5/11	10/25/11
Standardized Audit Programs	17 (d)	Incorporate changes from input and consent action plans into Draft Audit Programs	██████████ Executive Director	10/5/11	10/25/11
Standardized Audit Programs	17 (d)	Benchmark program with SMEs	██████████ Executive Director	10/5/11	10/25/11
Standardized Audit Programs	17 (d)	Incorporate changes from SMEs into Draft	██████████ Executive	10/5/11	10/31/11

Deliverable	CO Section	Task	Owner	Start Date	End Date
		Audit Programs	Director		
Standardized Audit Programs	17 (d)	Review Standardized Audit Program with Audit Leadership	Executive Director	10/31/11	11/2/11
Standardized Audit Programs	17 (d)	Incorporate changes and Finalize Standardized Audit Programs	Executive Director	10/31/11	11/2/11
Audit Annual Risk Assessment and 2012 Audit Plan	16 (a)	Complete the 2012 Audit Risk Assessment and finalize 2012 Audit Plan	Executive Director	12/7/11	4/1/12
Training	16 (c) & 17 (g)	Create and deliver training on residential mortgage loan servicing	Executive Director	11/2/11	7/1/12