

ALLY FINANCIAL INC., RUSSELL HUTCHINSON

Proposal and Comment Information

Title: Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL, R-1873

Comment ID: FR-2025-0063-01-C29

Subject

Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios (Docket No. R-1873, RIN 7100-AH05)

Submitter Information

Organization Name: Ally Financial Inc.

Organization Type: Company

Name: Russell Hutchinson

Submitted Date: 02/20/2026

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Please use the attached comment letter, submitted on behalf of Ally Financial Inc., responding to the Federal Reserve's Notice of Proposed Rulemaking entitled Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL, instead of the version that was attached at 2:46 PM today.

Best regards,
Dan

Daniel M. Wolf
| wolfd@sullcrom.com<<mailto:wolfd@sullcrom.com>>

From: Wolf, Daniel M.
Sent: Friday, February 20, 2026 2:46 PM
To: publiccomments@frb.gov
Cc: Eagan, Kristin <kristin.eagan@ally.com>; McKellar, Justin <justin.mckellar@ally.com>; Weiner, Benjamin H. <Weinerb@sullcrom.com>
Subject: Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios (Docket No. R-1873, RIN 7100-AH05)

On behalf of Ally Financial Inc., attached please find a comment letter responding to the Federal Reserve's Notice of Proposed Rulemaking entitled Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL.

Best regards,
Dan

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By Electronic Submission

Benjamin W. McDonough
Deputy Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Re: Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL (Federal Reserve Docket No. R-1873, RIN 7100-AH05)

Ladies and Gentlemen:

Ally Financial Inc. (“Ally,” “we,” “our,” or “us”) appreciates the opportunity to comment on the Notice of Proposed Rulemaking (“Proposal”) issued by the Board of Governors of the Federal Reserve System (the “Federal Reserve”), which would generally enhance the transparency and public accountability of the Federal Reserve’s stress testing framework.¹

Ally supports the broad objectives of stress testing for risk management and supervisory purposes. We also welcome the enhanced transparency and proposed disclosure with respect to the Federal Reserve’s supervisory stress testing process that is reflected in the Proposal.

We have participated in the industry comment letter on the Proposal.² We are writing separately regarding several points that are most relevant to our business, including (i) our focus

¹ Federal Reserve, *Enhanced Transparency and Public Accountability of the Supervisory Stress Test Models and Scenarios; Modifications to the Capital Planning and Stress Capital Buffer Requirement Rule, Enhanced Prudential Standards Rule, and Regulation LL*, 90 Fed. Reg. 51,856 (Nov. 18, 2025).

² See [BPI-ABA-FSF-SIFMA-ISDA-U.S. Chamber of Commerce comment letter](#).



on serving the automotive market and (ii) our status as a Category IV firm under the Federal Reserve’s regulatory tailoring framework.³

Recommendations

I. PPNR Models

Several aspects of the Federal Reserve’s proposed pre-provision net revenue (“PPNR”) models should be enhanced, including to more appropriately reflect the unique business models and different regulatory requirements of Ally and other Category IV firms.

A. The proposed calibration of the PPNR models does not currently reflect data from Category IV firms.

The proposed PPNR model for noninterest income would rely on firm projections that are reported in the FR Y-14A and would be based on an aggregate industry-level time series. In particular, for each distinct component of noninterest income, the Federal Reserve would use aggregate bank projections from the FR Y-14A schedules to produce a path of noninterest income over the projection horizon.⁴ The Federal Reserve would weigh the ten component-level projections to obtain projections for each firm based on its recent mix of revenues across the ten components.⁵ The proposed model for noninterest expense, similarly, would rely on firm projections from the FR Y-14A. The Federal Reserve noted that its analysis of historical data and FR Y-14A projections suggests a stable relationship with net interest income and noninterest income over time.⁶

However, importantly, Category IV firms such as Ally are not required to complete most FR Y-14A schedules. In particular, Ally is required to complete Schedule C (Regulatory Capital Instruments) and Schedule E (Operational Risk) of the FR Y-14A, as well as supplemental information when requested. Ally is not required to complete the remaining FR Y-14A schedules, in particular Schedule A (Summary) and Schedule B (Scenario).

Accordingly, Ally is concerned that the Federal Reserve’s proposed PPNR noninterest income model in particular reflects a calibration that does not include relevant data from Category IV firms. A calibration of the PPNR models that is not based on information provided by Category IV firms would not appropriately reflect the differences in size, business

³ 12 C.F.R. § 252.5.

⁴ Federal Reserve, Pre-Provision Net Revenue Model, p. 170 (updated Dec. 2025), *available at* <https://www.federalreserve.gov/supervisionreg/files/pre-provision-net-revenue-models.pdf> (“PPNR Model Documentation”).

⁵ PPNR Model Documentation, p. 171.

⁶ PPNR Model Documentation, p. 171.



model, and risks between Ally and the largest U.S. firms that are subject to the supervisory stress tests, which, notably, do include projection information in their FR Y-14A submissions to the Federal Reserve. Therefore, the Federal Reserve should consider further segmentation within the firm projections that it uses in the PPNR model to reflect the risks associated with a firm’s primary exposures. To the extent that this approach requires Ally and other Category IV firms to submit additional FR Y-14A data, these submissions should be limited to data necessary to execute the PPNR models in order to balance the operational burdens for Category IV firms consistent with the Federal Reserve’s regulatory tailoring framework. Alternatively, the Federal Reserve could incorporate additional segmentation in a manner that captures relevant differences in size, business model and risks among firms in the calculation of discount factors.

The Federal Reserve should also include additional granularity in connection with projecting the ten components of noninterest income. In particular, the Federal Reserve should prepare separate projections for each FR Y-14 reporting line item within “other loan-related noninterest income” to capture the unique drivers and risk associated with the underlying business activities. The Federal Reserve should also consider whether to incorporate additional granularity in respect of projecting “miscellaneous noninterest income” because that component includes a wide range of economically distinct revenue sources that have not behaved similarly in stressed conditions historically.

The Federal Reserve also would use scaling balances for specified components to “control for fluctuations in noninterest income across firms due to balance sheet dynamics.”⁷ To the extent that the Federal Reserve incorporates additional granularity in projecting the components of noninterest income, the Federal Reserve should reassess whether using these scaling balances is appropriate. More broadly, as noted in Section I.B of this letter, the Federal Reserve should publish its analysis supporting its proposed application of scaling balances.

The inadequate consideration of Category IV firms in the Proposal is more generally reflected in the proposed definition of “material model change” for purposes of determining the scope of model changes that would be subject to public notice and comment. In that context, the “materiality” test would be defined based on the firms that are required to participate in a given year’s stress test cycle.⁸ That construct would appear to exclude from the materiality determination Category IV firms that do not participate in a stress test cycle in an odd-numbered year given that Category IV firms are required to participate in the stress tests biennially in each year ending in an even number.⁹ To the extent that the Federal Reserve retains the “material model change” concept in a final rule, the effects of a model change on Category IV firms should be reflected, including with respect to years in which a Category IV firm does

⁷ PPNR Model Documentation, p. 237.

⁸ 90 Fed. Reg. at 51,869-71.

⁹ Table 1 to 12 C.F.R. § 252.44(d)(1).



not participate in the stress test consistent with the biennial stress testing requirements for Category IV firms provided in Regulation YY.

B. The flat balance sheet assumption would significantly overstate Ally's plausible stress test losses.

The PPNR model would continue to assume that, as reflected in Section 2.7 of the current Stress Testing Policy Statement,¹⁰ firms maintain a flat balance sheet over the projection horizon.¹¹ This approach creates significant distortions in particular for Ally and similarly situated firms.

For purposes of Ally's own models, Ally assumes that its balance sheet will decline materially during periods of stress, particularly as a result of reduced demand for automobiles. This assumption is appropriate because, unlike other types of loans (e.g., mortgages), auto loans amortize very quickly. In this regard, Ally's total aggregate retail auto loan amortization is approximately 45% of the starting balance. In order for Ally to maintain a constant balance sheet, accordingly, Ally would need to originate a very large volume of auto loans, an assumption that is fundamentally implausible in the context of a supervisory severely adverse stress scenario in which there is an overall deterioration in the macroeconomic environment resulting in significant decreases in consumer demand for auto loans.

In addition, the proposed PPNR methodology would result in substantial inconsistencies as applied to Ally. In particular, the calibration of the PPNR models would be based on Ally's projections reflecting that its balance sheet will decline over the scenario horizon, whereas the PPNR models separately assume that all firms maintain a flat balance sheet. Although the Federal Reserve has proposed to use scaling balances, as noted above, the scaling balances would not be applied to all components of the PPNR model (e.g., miscellaneous noninterest income). The Federal Reserve has not provided sufficient rationale to support using scaling balances for some PPNR components and not others. Moreover, scaling balances would be applied uniformly to all firms despite differences in each firm's balance sheet projections. This conceptual design would result in an overall lack of coherence to the stress tests and, for Ally, a substantial overcalibration of stressed losses in connection with the PPNR model for noninterest income in particular.

Accordingly, the Federal Reserve should not assume that all firms hold their balance sheets constant during the supervisory stress period. Instead, the PPNR model should incorporate adjustments that are tailored to the projections of the individual firms, in particular to account for a firm expanding, contracting or holding constant the size of its balance sheet during stressed conditions.

¹⁰ 12 C.F.R. Part 252, Appendix B.

¹¹ PPNR Model Documentation, p. 174.



II. Treatment of Floorplan Financing Arrangements

The proposed Credit Risk Model would not include specific treatment with respect to floorplan financing arrangements with automotive dealers. Instead, estimated stress losses in respect of these dealer floorplan financing arrangements would be determined based on the general Corporate Model.

Dealer floorplan financing broadly involves lenders such as Ally extending financing to automotive dealers to fund inventory purchases of new and used vehicles. Dealer floorplan financing is different from general corporate and industrial (“C&I”) loans in several important respects, including (i) a unique lending structure that provides significant structural credit protection to lenders and (ii) favorable collateral characteristics, which often result in overcollateralization of floorplan facilities.

- i. **Unique Lending Structure:** Unlike typical commercial loans, dealer floorplan loans are structured as short-term, revolving, discretionary lines of credit, which Ally as lender may easily and quickly cancel. In addition, with respect to a draw on a floorplan facility for new vehicles (representing ~60% of Ally’s Commercial Auto portfolio), Ally provides the funds directly to the original equipment manufacturer (“OEM”), such that the dealership may not use floorplan financing as a source of liquidity in a stressed environment.
- ii. **Favorable Collateral Characteristics:** Dealer floorplan loans are backed by significant collateral protections and are often overcollateralized. These protections often include both the vehicle being financed itself—which may be remarketed and generally retains value in both baseline and stressed operating environments—and a security interest in all tangible and intangible personal property of the dealership, including vehicles not financed by the floorplan lender. In addition, if a dealer enters into an insolvency proceeding and an orderly liquidation of its inventory is not possible, some franchise agreements and state franchise laws may require applicable OEMs to repurchase certain new vehicle inventory upon a dealer’s termination of the franchise, which may provide additional collateral protection to the floorplan lender. For used or new vehicles that are not eligible for OEM repurchase, the vehicles may be sold in the wholesale auction market, such that the collateral may be more marketable than collateral underlying traditional C&I loans.



The proposed Corporate Model broadly would treat these arrangements as standard commercial loans, in particular “Current Assets.”¹² That approach would not adequately capture the structural features and credit risk mitigation of Ally’s commercial auto dealer floorplan financing arrangements. More broadly, the proposal would result in stress test losses that are excessive and fundamentally implausible given (i) the relative stability of these arrangements in both normal and stressed conditions and (ii) the contractual ability for Ally to easily and quickly cancel the lines of credit at its discretion.

As an empirical matter, dealer floorplan financing arrangements do not face substantial losses, including during stressed periods such as the Global Financial Crisis (“GFC”). For example, Ally’s commercial auto loan portfolio during the GFC had an actual loss rate of approximately 0.7%, in comparison to the Federal Reserve’s 7.8% projected loss rate on Ally’s C&I portfolio during Ally’s most recent supervisory stress test in 2024¹³. The Federal Reserve’s projections for Ally’s C&I portfolio—of which approximately 60% is made up of Ally’s commercial auto portfolio—are 11 times more punitive than Ally’s historical loss experience during the GFC.

Accordingly, the Federal Reserve should:

- Include additional collateral categories within the Corporate Model to capture the distinct characteristics of asset-based lending (“ABL”). Additional segmentation within the “Current Assets” segment would better reflect the inherent risk of different portfolio compositions between firms, including the stability and highly collateralized nature of dealer floorplan financing arrangements.
- Differentiate between committed and discretionary lines of credit. The proposed Corporate EAD model would apply a constant 50 percent loan equivalent (“LEQ”) to determine the portion of an unfunded commitment drawn down at default.¹⁴ This approach would not appropriately reflect lines of credit that a lender may limit in its discretion to manage its exposure, including in stressed conditions.

Alternatively, at a minimum, the Federal Reserve should apply an additional binary factor for ABL facilities to decrease the LGD for asset-backed facilities. Although this approach would not fully reflect the significant differences between dealer floorplan financing

¹² Federal Reserve, Credit Risk Models p. 33 (updated Jan. 2026), *available at* <https://www.federalreserve.gov/supervisionreg/files/credit-risk-models.pdf> (“Credit Risk Model Documentation”).

¹³ Loss rates for Ally’s commercial auto portfolio during the GFC and in respect of the Federal Reserve’s C&I portfolio are based on a nine-quarter horizon.

¹⁴ Credit Risk Model Documentation, p. 35.



and other C&I loans, as described above, a binary ABL factor would align with the overall structure of the Corporate Model and complement the existing “Current Assets” segment by differentiating ABL facilities secured by current assets from facilities backed by less liquid collateral.

III. Jump-off Date

The Proposal would move the jump-off date for the supervisory stress tests from December 31 to September 30.¹⁵ Ally does not support moving the jump-off date to September 30. In particular, there would be significant operational burdens attendant to moving the jump-off date to September 30, particularly in connection with Ally preparing its baseline scenario stress tests.

Accordingly, the Federal Reserve should retain the current December 31 jump-off date and either (i) develop a timeline in which the stress test scenarios are released for comment in early January, following a December 31 jump-off date, or (ii) release the stress test scenarios for comment prior to a December 31 jump-off date.

Conclusion

We appreciate the Federal Reserve’s consideration of our comments on Proposal. If you have any questions, please contact me at russ.hutchinson@ally.com.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. E. Hutchinson".

Russell Hutchinson
Chief Financial Officer

¹⁵ 90 Fed. Reg. at 51,872-83.