



March 24, 2017

Mr. Jeffrey J. Brown  
Chief Executive Officer  
Ally Financial Inc.  
440 South Church Street  
Charlotte, North Carolina 28202

Dear Mr. Brown:

The Board of Governors of the Federal Reserve System (the Board) and the Federal Deposit Insurance Corporation (the FDIC) (together, the Agencies) have reviewed the annual resolution plan submission (2015 Plan) that Ally Financial Inc. (AFI) submitted in December 2015, as required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 (Board) and 12 CFR Part 381 (FDIC) (the Resolution Plan Rule).

The Agencies are jointly issuing this guidance to clarify expectations for the resolution plan required to be submitted on or before December 31, 2017 (2017 Plan). AFI should comply with the requirements for its 2017 Plan by submitting information that is responsive to and consistent with this letter by December 31, 2017. Previously provided guidance continues to be applicable except to the extent that it is superseded or supplemented by the provisions of this letter.

Pursuant to paragraph \_\_.4(k) of the Resolution Plan Rule, the Agencies have determined that the executive summary and strategic analysis<sup>1</sup> of the 2017 Plan may be limited to any

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<sup>1</sup> See Resolution Plan Rule subsections \_\_.4(b) and \_\_.4(c).

content that has changed from that of the 2015 Plan as a result of guidance set forth in this letter. The 2017 Plan should incorporate by reference elements of the 2015 Plan that do not require any change or clarification as outlined in section \_\_.4(j) of the Resolution Plan Rule, with reference to relevant chapter and page(s) of the 2015 Plan. The 2017 Plan should also discuss material changes to AFI's resolution plan from the 2015 Plan; any actions taken by AFI since the filing of the 2015 Plan to improve the effectiveness of the resolution plan or remedy or otherwise mitigate any material weaknesses or impediments to effective and timely execution of the resolution plan; and AFI's strategy for ensuring that any insured depository institution subsidiary will be adequately protected from risks arising from the activities of any nonbank subsidiaries (other than those that are subsidiaries of the insured depository institution).<sup>2</sup>

*AFI Resolution Strategy:* The 2015 Plan presented a multiple point-of-entry resolution strategy in which AFI would be reorganized under Chapter 11 of the U.S. Bankruptcy Code and Ally Bank would be resolved in an FDIC receivership. In particular, as part of its reorganization, AFI expects to obtain debtor-in-possession (DIP) financing to engage in lending through the funding of prime retail installment sales contracts and leases and floor plan advances, which are activities that are currently core to the franchise value of Ally Bank. At the same time, Ally Bank would be placed in an FDIC receivership and sold as a franchise in a whole bank transaction to a third party over the weekend following failure. As highlighted further below, the assumptions underlying the simultaneous reorganization of AFI and resolution of Ally Bank are not adequately supported, and may potentially conflict with each other as presented, in the 2015 plan.

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<sup>2</sup> *Id.*

*Resolution Funding:* The 2015 Plan states that the reorganization of AFI will be supported with a DIP facility approximating \$ [REDACTED], which the holding company would use to fund “requests for the acquisition of retail installment sales contracts and leases and . . . floor plan advances that in each case would typically have been made by Ally Bank.” The 2015 Plan did not, however, provide adequate support for assumptions related to the DIP financing facility, including its size, timing, underlying collateral, universe of potential qualified creditors, and relationship to the franchise value of Ally Bank, which is expected to reside in and ultimately be sold out of the FDIC receivership. If the 2017 Plan continues to use a strategy that depends on these assumptions, the 2017 Plan should include support for the assumption that third-party DIP financing would be available under the terms and conditions assumed in the plan. Such support might include actual historical examples of DIP loans under similar terms, structures, timeframes and amounts. The 2017 Plan should describe actions that have been and will be taken to ensure the availability of this financing within the assumed timelines.

*Ally Bank’s Franchise Value:* The 2015 Plan contained inadequate support for the assumption that there would be no material adverse effect on the franchise value and marketability of Ally Bank in a sale from the FDIC receivership as a result of the discontinuation of its floor plan lending business, notwithstanding that the business is a meaningful portion of Ally Bank’s loan portfolio and a significant origination channel for the bank’s indirect retail contract business. If the 2017 Plan continues to use a strategy that depends on this assumption, the 2017 Plan should include an assessment of the effect on the value and marketability of the Ally Bank franchise resulting from the termination of both retail installment sales contracts and floor plan lending by the bank coupled with the competing lending in this area by the parent company as part of its reorganization as envisioned in the 2015 Plan.

*Timing of Reorganization and Sale:* The 2015 Plan should provide support for the assumption that the reorganization of AFI and the sale of the automotive finance business could be completed within █ days of filing for bankruptcy protection.

*Separability:* The 2017 Plan should identify impediments to the separation of Ally Bank and AFI in resolution, including to the continuity of inter-affiliate provision of shared services, and the steps and timelines necessary to remedy or mitigate such impediments.

*Key Employees:* The 2017 Plan should provide an update on the firm's progress in addressing the risk that key employees may depart during its resolution.

*Stress Scenario:* The 2017 Plan should assume the Dodd-Frank Act Stress Test (DFAST) severely adverse scenario for the first quarter of 2017 is the domestic and international economic environment at the time of the firm's failure and throughout the resolution process.<sup>3</sup> The 2017 Plan should also discuss any changes to the resolution strategy under the adverse and baseline scenarios to the extent that these scenarios reflect obstacles to a rapid and orderly resolution that are not captured under the severely adverse scenario.

*Financial Statements and Projections:* If AFI's strategy continues to include a reorganization, the pro forma financial statements should reflect any recapitalization or reorganization actions to implement the strategy. In the context of the reorganization, the 2017 Plan should include pro forma balance sheets for each material entity at key junctures in the execution of the resolution strategy, beginning at December 31, 2016. Key junctures should include the beginning and end of the runway period. The pro forma financial statements should clearly evidence the losses or other event(s) leading to the bankruptcy filing and any other key assumptions underlying the plan.

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<sup>3</sup> <https://www.federalreserve.gov/newsevents/press/bcreg/bcreg20170203a5.pdf>

*Actions Taken Prior to Bankruptcy Filing:* The 2015 Plan includes significant and substantial balance sheet restructuring and asset liquidations prior to the beginning of the runway period. The 2017 plan should not assume that the firm is able to take actions that would eliminate obstacles to resolution before it enters into resolution.

*Public Section:* The 2017 Plan must be divided into a confidential section and a public section. The public section should be submitted as a separate document and should contain an executive summary of the resolution plan that describes the business of the covered company and includes, to the extent material to an understanding of the covered company, the eleven informational elements required by subsection \_\_.8(c) of the Resolution Plan Rule. Additionally, either the public section or the confidential section must detail compliance with subsection \_\_.3(e) of the Resolution Plan Rule.

If you have any questions about the information communicated in this letter, please contact Alfonso Ventoso, Manager, Federal Reserve Board, at 202-475-6366 or [alfonso.r.ventoso@frb.gov](mailto:alfonso.r.ventoso@frb.gov) or Robert Connors, Associate Director, FDIC, at 202-898-3834 or [rconnors@fdic.gov](mailto:rconnors@fdic.gov).

Sincerely,

*Michael Gibson (Signed)*

Michael Gibson  
Director  
Division of Supervision & Regulation  
Board of Governors  
of the Federal Reserve System

Sincerely,

*Doreen Eberley (Signed)*

Doreen Eberley  
Director  
Division of Risk Management Supervision  
Federal Deposit Insurance Corporation