

January 26, 2011

Technical Director Financial Accounting Standards Board 401 Merritt 7 PO BOX 5116 Norwalk, CT 06856-5116

File Reference: No. 1890-100

Dear Board Members and FASB Staff:

Ally Financial Services ("Ally") is pleased to comment on Financial Accounting Standards Board's ("FASB") Discussion Paper, *Effective Dates and Transition Methods* (Discussion Paper"). Ally Financial Inc. (formerly GMAC Inc.) is one of the world's largest automotive financial services companies. The company offers a full suite of automotive financing products and services in key markets around the world. Ally's other business units include mortgage operations and commercial finance, and the company's subsidiary, Ally Bank, offers online retail banking products. With more than \$173 billion in assets as of September 30, 2010, Ally operates as a bank holding company.

We appreciate the Board's efforts towards convergence and the outreach made in the Discussion Paper. Our primary concerns about the Exposure Drafts covered in this Discussion Paper go far beyond effective dates and transition methods as outlined in our Comment Letters on the *Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities* ("*Financial Instruments*") and *Leases*. Some of our comments are repeated here in direct response to Questions for Respondents in Appendix A to this letter but we refer you to our Comment Letters for full consideration of the issues.

In short, our primary concerns are with information system limitations which would prevent us from meeting any near term implementation dates. For this reason, we are proponents of a phased approach with a long implementation window. Our systems, both proprietary and leased would require major modifications for both the Financial Instruments and Leases Exposure Drafts as written. As an automotive Finance Company, we are the lessor for accounting purposes for a significant number of lease contracts. For these contracts, we would have to completely redevelop our proprietary accounting information system to implement the proposed guidance. With regard to the contracts under which we are a lessee, we would have to develop or purchase new accounting information systems to implement the proposed guidance. We believe the complexity of the proposed accounting changes in light of the size of our lease portfolio would present a significant cost and time burden that would not justify



changes in our financial performance compared to any benefit to our financial statement users or the stakeholders of our business.

Ally appreciates the opportunity to share our comments with the Board. We urge the FASB staff to consider our aforementioned comments and responses in Appendix A when finalizing the effective dates and transition in the revised convergence workplan. If you have any questions on the comments contained in this letter, please contact Mark Sitlinger at 215-734-4887 or me at 215-734-4886.

Sincerely,

Michael Anspach

Executive Director, Global Corporate Accounting Policy

DRUS

Ally

cc: Mr. David DeBrunner, Chief Accounting Officer and Corporate Controller



Appendix A

Questions for Respondents

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

Ally Response:

- a. As mentioned in our opening paragraph, Ally Financial, Inc. (formerly GMAC, Inc.) is one of the world's largest automotive financial services companies offering a full suite of automotive financing products and services, including leases, around the world. Ally's other business units include mortgage operations and commercial finance and online retail banking products through our Ally Bank subsidiary. As such, we are primarily a preparer of financial statements under U.S. GAAP for filing with the U.S. Securities and Exchange Commission, as well as U.S. Banking Regulators, primarily submitted as the Reports of Condition and Income (commonly known as the "Call Report"), as well as mortgage banking and insurance regulators. We also prepare financial statements under IFRS or local accounting standards for certain of our international business subsidiaries, which also are subject to multiple foreign regulatory requirements.
- b. Our primary business is domestic and international automotive financial services for which we are ranked number one in the U.S. market. We are also a top five residential mortgage originator and servicer in the U.S. market. We have approximately 14,400 employees globally. We are a public registrant with the U.S. Securities and Exchange Commission.
- c. n/a

¹ Rankings as of September 30, 2010

² Employee data as of December 31, 2010.



- d n/a
- e. Particularly as it relates to the Financial Instruments and Leases Exposure Drafts, as exposed, we believe that every aspect of our financial accounting, reporting and control structure will need to be revised. Additionally, currently, neither our loan nor lease accounting systems can support the proposed principles as written and would require significant redevelopment of our proprietary lease accounting system, as well as our multiple loan accounting systems, which are both proprietary and provided by third-party vendors. We expect any redevelopment and testing of these systems to be complex projects that would require a significant amount of time to fully implement and test. Additionally, all general ledger mappings, accounting policies, accounting procedures, reporting procedures and internal control frameworks related to loans and leases would need to be revised and tested for compliance before the respective effective dates.
- Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):
 - a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
 - b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Ally Response:

- a) In regards to the Exposure Drafts noted above, we have made the following preliminary estimates to fully adopt final standards as exposed:
 - i. Financial Instruments-3 years
 - ii. Other Comprehensive Income-9 months
 - iii. Revenue Recognition-3 months (nominal impact to our business)
 - iv. Leases-3-5 years
- b) Cost associated with implementation for both the Financial Instruments and Leases Exposure Drafts will be material to our financial statements, whether adopted at a single date or sequentially. Out of pocket costs will be incurred for additional internal accounting staff as well as specialized information system resources. We would also anticipate the need for outside consultants in both accounting and information systems to support the additional work load, project management, information system transformation requirements, audit and SOX control documentation and validation, as current personnel do not have the capacity to be redirected to one or more multi-year projects.



Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Ally Response: Yes. We believe that the new standards will have widespread impact on people, information systems, processes and internal controls in numerous areas. For example, the current loan accounting systems cannot comply, in their current state, with the calculation of effective yield net of the allowance for loan losses. As further example, the non-accrual guidance is in direct conflict with regulatory requirements which would involve developing the ability to maintain an income statement under U.S. GAAP and Regulatory Reporting methods, resulting in different net income results for both.

Both the Financial Instruments and Leases Exposure Drafts would require intricate remapping of information systems to our general ledger, financial reporting, regulatory reporting, tax and strategic planning systems.

While not specifically responding to the need for changes in auditing standards, we believe that certain of the components proposed, at best, will be difficult to audit.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Ally Response: Our primary concern related to transition concerns how to capture the comparative year data included in the Lease exposure draft in our information systems, We believe capturing the prior period data live in the system would best serve to operational the standard as written. If this indeed proves to be the most expedient, cost effective and practical method to accumulate the comparative period data it will extend the time period needed between final issuance and effective date by one year. Because of this, we believe prospective application is appropriate for leases.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
- b. Under a single date approach, what should the mandatory effective date be and why?



- c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
- d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Ally Response:

- a) We would recommend a sequential approach to implementation of the proposed Exposure Drafts. We believe that the complexity of the guidance and information system changes that would be required to implement the proposed guidance in the Exposure Drafts would make it challenging for us to adopt utilizing a single date approach considering the human and technical resources and expense impact on our business. We believe that the adoption of the Exposure Drafts will require dedicated time and attention from the same resources for financial reporting, audit, tax and information systems making sequential adoption the most practical approach.
- b) Assuming that all Exposure Drafts are final within 2011, the earliest we could envision implementation is 2016. That date, an estimate, would allow for simultaneous implementation of the Financial Instruments and Leases Standards which would each require multi-year information system implementation projects. Also, we believe that the Leases Exposure Draft transition would require accumulation of the required information live within the comparative periods for financial reporting. Our estimate envisions multi-year systems development and implementation, internal control framework development and testing at least one year prior to first year that data will need to be collective for the comparative period.
- c) Considering what we believe is the perceived value of the enhanced reporting under the exposure drafts subject to this response, we propose the following order, in descending order of impact:
 - 1. Comprehensive Income
 - 2. Financial Instruments
 - 3. Revenue Recognition
 - 3. Leases

We believe that the dependencies on the principles in Revenue Recognition exposure draft in the Leases exposure draft warrants a single-date approach.



Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Ally Response: Yes. Without a feasibility study, the burden and complexity of implementation makes a reasonable estimate of implementation timelines uncertain. Different companies, with different impact upon adoption may be able to adopt certain standards earlier than others. Our guess is that implementation for small, single-business focused companies will be less complicated than large, multi-national firms.

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Ally Response: We believe all types of entities should be provided with a delayed effective date. We do believe that the farthest implementation date for all entities should be considered. In our estimate, three- to five-years after final issuance is an appropriate implementation period for all entities, with early adoption permitted.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Ally Response: Yes. We strongly support convergence in all matters. The burden of multiple adoption dates with multi-national operations would be onerous without apparent benefit.

Q9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

Ally Response: n/a