December 15, 2010

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

File Reference: No. 1850-100

Dear Board Members and FASB Staff:

Ally Financial Inc. ("Ally") is pleased to comment on Financial Accounting Standards Board’s ("FASB") Proposed Accounting Standard Update Leases ("Proposed Update"). Ally (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.

While overall Ally supports the efforts of the Board to improve financial reporting for leases and understands the concerns related to lease structuring to maintain the off-balance sheet treatment of operating leases, we do not feel that the Proposed Update, as currently written, will best achieve that goal in several areas. We feel that the information provided by and methods of accounting in the Proposed Update are, in some cases, not meaningful to users, overly complex and operationally burdensome.

If the Board proceeds with the Proposed Update, as written, we would like to provide the following observations, concerns and insights through the General Comments that follow and in response to the Board’s Questions for Respondents in Appendix A to this letter.
General Comments

Lessor Accounting
Based on our review of the exposure draft, we do not believe that the proposed lessor accounting and reporting, particularly under the performance obligation approach, provides a better accounting framework than the current model. Per the guidance in the Proposed Update, the recording of lease receivable assets and lease liabilities are presented “together” on the statement of financial position in addition to the recognition of the underlying asset that we have historically recorded on a net cost basis. As an automotive finance company, the majority of our leases qualify as operating leases. Under current accounting practice for operating leases, we recognize the underlying assets under lease in the statement of financial position when we take title to the non-financial asset and record income as the customer pays us in accordance with the lease terms. Generally at the time we record the asset, the customer has physical possession of the leased asset, which in our case is typically a vehicle. We believe the current accounting is a faithful representation of the transactions that we have entered into with lessees.

As a lessor of automobiles worldwide, we believe that the net cost basis of this asset, which is required to be evaluated for impairment, properly reflects our economic investment in the non-financial assets that are leased. When the leased asset is returned to us at the end of the lease term, we reclassify the asset from investment in operating leases to other assets as an investment in used vehicles held for sale, at the lower of cost or estimated fair value, less costs to sell. We are unclear what deficiency has been observed in the current accounting for leased assets by lessors that resulted in the Proposed Update and how the recording of the additional netted asset and liability will result in an improvement in information available to stakeholders and users of our financial statements.

We do not believe the operational burden and material expense that we would incur to implement the Proposed Update, as currently written, would be more meaningful to the users of our financial statements. Ally, as lessor, has approximately 600,000 active leases in numerous countries with an approximate underlying asset value of $9.7 billion. Each of these lease contracts would have to be individually measured and recorded under the Proposed Update. The systems that we use to account for our leased assets are proprietary and will need to be substantially redeveloped to account for our leases as lease receivable assets and lease liabilities on a present value method, all the while continuing our current accounting for investment in operating leases. Considering the demands on our resources, we feel that undertaking a material redevelopment of our lease information systems is not supported by the perceived improvement in financial reporting in the Proposed Update.

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1 As of September 30, 2010.
We believe that accounting for leases by lessors is well understood in the marketplace and faithfully represents the transactions that we enter into with lessees. Therefore, we recommend that the Proposed Update be revised to exclude the requirements for lessors to recognize a lease receivable asset and lease liability. However, if the Board feels compelled to include changes to the accounting for lessors in this standard, we have provided specific areas in our following comments for which we believe changes to the proposed guidance should be considered. Among those changes is to expand the use of the practical expedient for short term leases to all leases within the scope of the standard.

**Lessee Accounting**

We generally understand and support the need for information on operating leases in the statement of financial position. However, we believe that the Proposed Update, as currently written, is also overly complicated in this area.

The complexity added by the requirement to record what are now considered off-book operating lease assets and liabilities at the present value of payments over the longest possible term has a high likelihood of misstatement, does not best represent the business obligations of the transaction and is operationally burdensome with, what we believe, is little discernable benefit over the current footnote disclosures. Additionally, the Board has already recognized the appropriateness of gross, undiscounted recognition for short-term leases as a practical expedient, because the benefit does not exceed the implied burden and cost of using the present value method and we ask the Board to consider a similar technique for all leases within the scope of Proposed Update.

In regards to the lease term, we disagree with the requirement to record an asset and liability based on an estimate of the length of the lease term outside of the contractual terms “by estimating the probability of occurrence for each possible term, taking into account the effect of any options to extend or terminate the lease.” We believe that given the ever changing and fluid business environment in which we operate any such estimate would be a guess, at best, resulting in potentially materially inaccurate financial statements for events for which we are not legally bound and cannot accurately predict. Additionally, we believe the recording of a liability that is not contractually or legally a financial obligation does not meet the definition of a liability under the Conceptual Framework.

We believe the definition of a lease term as the “longest possible term that is more likely than not to occur” is not operational as currently written. We believe that any such estimate is not auditable, adding considerable unnecessary burden to companies and independent auditors. We have serious concerns about the unwinding of this accounting for events that were predicted but did not occur, with the most serious concern being the possibility of restatement of previously issued financial statements. We also have concerns about the operational burden that the reassessment requirement will put on already strained resources under very tight deadlines for financial reporting as a public company.
We believe that the use of effective interest amortization method for lease payables under the Proposed Update is an inappropriate method for reporting in our financial statements. We believe that the use of other than a straight-line method of amortization will have a negative impact on capital and expense ratios as the front loading of the expense does not match the usage of the related assets and creates volatility between lease periods as declining expenses are not a representative trend of future expenses when a new lease, which may have unchanged terms, are once again front-loaded.

One of our most significant concerns is with the operational burden and material expense that we would have to incur to implement the Proposed Update, as currently written. The present day accounting for operating leases as a lessee has not required the material investment in information systems that would be required under the Proposed Update. As previously discussed, we believe that the application of the practical expedient for short-term leases to all leases would meet the Board’s objective of getting operating leases in the statement of financial position.

Conceptual Concerns with the Proposed Update

*Characteristics of a Liability*

We do not believe that the recording of a liability based on the “probability of occurrence for each possible lease term” meets the characteristics of a liability to be recorded in the statement of financial position. We refer you to the Conceptual Framework which states:

“A liability has three essential characteristics: (a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand, (b) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened.”

We do not believe any of the three characteristics are typically met when considering the probability of lease extensions. The extensions are generally not a present duty, the lessee is normally not obligated to take the extension and the event obligating the lessee (the decision to extend) has not occurred. We understand that the Board’s purpose for including the possible renewal options was meant primarily as a type of anti-abuse provision to mitigate the possibility of structuring leases to minimize the impact of the proposed changes. We feel the business environment would, to some degree, minimize the Board’s concern in this area. For example, a lessor of office space would typically not be inclined to offer a one year lease with multiple one year extensions without demanding some type of premium for the risk that they would be taking. This risk would likely be in the form of increased pricing, for which the increased expense requirement would most likely cause the lessee to consider other less expensive alternatives, such as longer term leases.

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We urge the Board to eliminate the requirement to consider the probability of occurrence for each possible lease term for any final standard on leases for both lessors and lessees when finalizing the lease guidance.

**Double Recording of Assets and Liabilities**

Under the proposed performance obligation model, we believe that the recording of a lease right-to-use asset by the lessee and lease receivable by the lessor, in conjunction with the already existing leased asset results in double-booking of the asset under lease. Further, the obligation to deliver the asset for the lessor coupled with the lease payable by the lessee is again essentially a double booking of the liability. The lessee already has possession of the asset, therefore, any obligation of the lessor has already been substantially completed. We recognize that the guidance allows the lessor to present the right-to-use asset and lease liability “together” on the same side of the statement of financial position, but we do not believe it materially improves the current accounting framework.

We are also concerned that regulators and other users of our financial statements will use this information on a gross basis to our detriment in determining capital requirements, when we, in fact, already have the entire leased asset (and associated financing used to acquire the leased asset, if any) on our balance sheet as lessor.

If the Board wishes to continue to propose changes to the accounting for lessors, we urge the board to eliminate the double booking of assets and liabilities of the proposed accounting for lessors.

**Regulatory Concerns**

As mentioned in our opening comments, Ally is a bank holding company with a bank subsidiary. We are a lessor at both holding company and bank subsidiary level of our organization and a lessee primarily at the holding company level. As such, foremost in our concerns is the lack of guidance from the Banking Regulators on the impact on capital requirements after adoption of the accounting principles prescribed in the Proposed Update. We encourage that further deliberations on this Proposed Update to include discussions with all industry regulators to ensure that both sides understand the proposed changes and their related impacts for both accounting and capital requirements. Further, to the extent that there will be a regulatory impact in the final outcome of the application of the guidance, that fact should be considered in the determination of an effective date of the final guidance.

**Transition**

While we understand that it is typically better from a user perspective to have comparative information in the financial statements, we are concerned about the simplified retrospective application relative to this proposed update. We believe that to have comparative information available at the time of adoption the information needs to be captured “live” by an information system that, in our case and likely in the case of most others, has not yet been developed. For that reason, we disagree with the
retrospective application and propose a prospective application be considered in any re-deliberations.

If the Proposed Update is finalized as written, we would strongly encourage an extended implementation period between issuance and effective date given the significant changes that will be required in information systems and operations processes. In addition, we believe that most entities will need time to renegotiate, if possible, debt covenants both prospectively and for the retrospective period.

Other
We are unclear how month-to-month leases would be treated under the Proposed Update. After a pattern of renewals at one-month intervals it is unclear whether such a lease would lose its status a short-term lease under one-year that qualifies for the practical expedient. We respectfully request additional guidance during re-deliberation.

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Ally appreciates the opportunity to share our comments with the Board. We urge the FASB staff to consider our aforementioned comments and answers to Questions for Respondents when finalizing the Proposed Update. 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
Ally

cc: Mr. David DeBrunner, VP, Controller, and Chief Accounting Officer
    Mr. David Foster, Global Automotive Services Controller
Appendix A- FASB Questions

Questions for Respondents

The accounting model
The exposure draft proposes a new accounting model for leases in which:
(a) a lessee would recognize an asset (the right-of-use asset) representing its right to use
an underlying asset during the lease term, and a liability to make lease payments
(paragraphs 10 and BC5–BC12). The lessee would amortize the right-of-use asset
over the expected lease term or the useful life of the underlying asset if shorter. The
lessee would incur interest expense on the liability to make lease payments.
(b) a lessor would apply either a performance obligation approach or a derecognition
approach to account for the assets and liabilities arising from a lease, depending on
whether the lessor retains exposure to significant risks or benefits associated with the
underlying asset during or after the expected term of the lease (paragraphs 28, 29 and
BC23–BC27).

Question 1: Lessees
(a) Do you agree that a lessee should recognize a right-of-use asset and a liability to
make lease payments? Why or why not? If not, what alternative model would you
propose and why?

Ally’s Response: Yes. We believe that the right-of-use asset and lease liability meets
the definition of an asset and liability under the Conceptual Framework and should be
recorded. We believe that recording an asset, and corresponding liability represents the
Economics of transactions currently unrecorded under operating lease accounting in the
U.S. However, we believe the Boards’ present value method is overly burdensome
compared to the benefit derived. We believe that the application of the practical
expedient for short-term leases to long-term leases would meet the Board’s objective of
getting operating leases in the statement of financial position while recognizing the
benefit of the complex accounting in the Proposed Update does not outweigh the cost of
implementation.

(b) Do you agree that a lessee should recognize amortization of the right-of-use asset and
interest on the liability to make lease payments? Why or why not? If not, what
alternative model would you propose and why?

Ally’s Response: No. Although we believe that the right-of-use asset is a wasting asset
and the accounting should reflect its diminishing value over time by use of the most
appropriate method to recognize the usage of the asset and that systematic amortization is
the best method to accomplish this goal and consistent with the treatment of other assets,
we believe the present value method proposed is overly complex and expensive to
implement. We believe that the application of the practical expedient for short-term
leases to long-term leases would meet the Board’s objective of getting operating leases in
the statement of financial position while recognizing the benefit of the complex
accounting in the Proposed Update does not outweigh the cost of implementation.
Question 2: Lessors
(a) Do you agree that a lessor should apply (i) the performance obligation approach if the lessor retains exposure to significant risks or benefits associated with the underlying asset during or after the expected lease term and (ii) the derecognition approach otherwise? Why or why not? If not, what alternative approach would you propose and why?

Ally’s Response: No. We do not believe that it is consistent with the Board’s other projects to use a risk and reward approach for lease accounting, while other areas are moving towards control based model and as such we believe that the Board should consider leases under a control based model, which we further believe is already inherent in the current lessor accounting model.

If the Board approves the Proposed Update as written, we believe that the selection between the performance obligation approach and derecognition approach in the Proposed Update would properly reflect the economics of the individual lease transactions under a significant risks or benefits model but we do not believe this is an improvement over the current accounting.

(b) Do you agree with the boards’ proposals for the recognition of assets, liabilities, income and expenses for the performance obligation and derecognition approaches to lessor accounting? Why or why not? If not, what alternative model would you propose and why?

Ally’s Response: No. As noted in our general comments, we do not believe that there is a financial reporting deficiency for lessor accounting that would be resolved by the performance obligation approach and that our current accounting is appropriate and should remain unchanged. Additionally, we believe that the cost of implementation of the Proposed Update, as currently written, would far outweigh any perceived benefit.

(c) Do you agree that there should be no separate approach for lessors with leveraged leases, as is currently provided for under US GAAP (paragraph BC15)? If not, why not? What approach should be applied to those leases and why?

Ally’s Response: Ally does not have any leveraged leases and therefore has no comment on this item.

Question 3: Short-term leases
This exposure draft proposes that a lessee or a lessor may apply the following simplified requirements to short-term leases, defined in Appendix A as leases for which the maximum possible lease term, including options to renew or extend, is 12 months or less:
(a) At the date of inception of a lease, a lessee that has a short-term lease may elect on a lease-by-lease basis to measure, both at initial measurement and subsequently, (i) the liability to make lease payments at the undiscounted amount of the lease payments and (ii) the right-of-use asset at the undiscounted amount of lease payments plus
initial direct costs. Such lessees would recognize lease payments in the income statement over the lease term (paragraph 64).

(b) At the date of inception of a lease, a lessor that has a short-term lease may elect on a lease-by-lease basis not to recognize assets and liabilities arising from a short-term lease in the statement of financial position, nor derecognize any portion of the underlying asset. Such lessors would continue to recognize the underlying asset in accordance with other Topics and would recognize lease payments in the income statement over the lease term (paragraph 65). (See also paragraphs BC41–BC46.)

Do you agree that a lessee or a lessor should account for short-term leases in this way? Why or why not? If not, what alternative approach would you propose and why?

**Ally’s Response:** Yes. We believe that the practical expedient provided in the Proposed Update balances the objective of getting all leases on the statement of financial position while recognizing the cost exceeds the perceived benefit of performing the more complex accounting for short-term leases. We also believe that the practical expedient granted for short-term leases should not be limited based on lease term, but should be extended to all leases. This method would accomplish the Board’s goal of recording operating lease liabilities on the balance sheet, but would not materially impact the income statement, nor would it be as burdensome to implement.

**Definition of a lease**

This exposure draft proposes to define a lease as a contract in which the right to use a specified asset or assets is conveyed, for a period of time, in exchange for consideration (Appendix A, paragraphs B1–B4 and BC29–BC32). This exposure draft also proposes guidance on distinguishing between a lease and a contract that represents a purchase or sale (paragraphs 8, B9, B10 and BC59–BC62) and on distinguishing a lease from a service contract (paragraphs B1–B4 and BC29–BC32).

**Question 4**

(a) Do you agree that a lease is defined appropriately? Why or why not? If not, what alternative definition would you propose and why?

**Ally’s Response:** Yes. We believe the definition of a lease is clear as written and operational.

(b) Do you agree with the criteria in paragraphs B9 and B10 for distinguishing a lease from a contract that represents a purchase or sale? Why or why not? If not, what alternative criteria would you propose and why?

**Ally’s Response:** Yes. We believe that the transfer of control is the appropriate principle under which sales and purchases should be recognized. However, we note the inconsistency between the control criteria for sales and purchases and the risks and benefits principle for determining which method a lessor should apply under the proposed lessor guidance.
(c) Do you think that the guidance in paragraphs B1–B4 for distinguishing leases from service contracts is sufficient? Why or why not? If not, what additional guidance do you think is necessary and why?

**Ally’s Response:** Yes. We believe that the underlying pricing of a lease contract would have considered any service components and would therefore be distinguishable.

**Scope**

**Question 5:** Scope exclusions

This exposure draft proposes that a lessee or a lessor should apply the proposed guidance to all leases, including leases of right-of-use assets in a sublease, except leases of intangible assets, leases of biological assets and leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources (paragraphs 5 and BC33–BC46).

Do you agree with the proposed scope of the proposed guidance? Why or why not? If not, what alternative scope would you propose and why?

**Ally’s Response:** Yes. We believe that in a sublease the right-of-use asset and liability meets the definition of a financial asset and liability under the Conceptual Framework. We cannot comment on the scope exclusions as we do not enter into leases for the excluded assets.

**Question 6:** Contracts that contain service components and lease components

This exposure draft proposes that lessees and lessors should apply the guidance in proposed Accounting Standards Update, *Revenue Recognition* (Topic 605): *Revenue from Contracts with Customers*, to a distinct service component of a contract that contains service components and lease components (paragraphs 6, B5–B8 and BC47–BC54). If the service component in a contract that contains service components and lease components is not distinct:

(a) The FASB proposes the lessee and lessor should apply the lease accounting requirements to the combined contract.

(b) The IASB proposes that:

   (i) A lessee should apply the lease accounting requirements to the combined contract.

   (ii) A lessor that applies the performance obligation approach should apply the lease accounting requirements to the combined contract.

   (iii) A lessor that applies the derecognition approach should account for the lease component in accordance with the lease requirements, and the service component in accordance with the guidance in the exposure draft on revenue from contracts with customers.

Do you agree with either approach to accounting for leases that contain service and lease components? Why or why not? If not, how would you account for contracts that contain both service and lease components and why?

**Ally’s Response:** We believe that the FASB’s approach would result in a more consistent application.
Question 7: Purchase options

This exposure draft proposes that a lease contract should be considered terminated when an option to purchase the underlying asset is exercised. Thus, a contract would be accounted for as a purchase (by the lessee) and a sale (by the lessor) when the purchase option is exercised (paragraphs 8, BC63 and BC64).

Do you agree that a lessee or a lessor should account for purchase options only when they are exercised? Why or why not? If not, how do you think that a lessee or a lessor should account for purchase options and why?

Ally’s Response: Yes. We believe that the accounting for the exercise of a purchase option should reflect both the economics of the transaction as well as the legal standing. This is also consistent with our thinking in other areas, such as, contingent payments, residual guarantees, and consideration of term options.

Measurement

This exposure draft proposes that a lessee or a lessor should measure assets and liabilities arising from a lease on a basis that:

(a) assumes the longest possible term that is more likely than not to occur, taking into account the effect of any options to extend or terminate the lease (paragraphs 13, 34, 51, B16–B20 and BC114–BC120).

(b) includes in the lease payments contingent rentals and expected payments under term option penalties and residual value guarantees specified by the lease by using an expected outcome technique (paragraphs 14, 35, 36, 52, 53, B21 and BC121–BC131). Lessors should only include those contingent rentals and expected payments under term option penalties and residual value guarantees that can be reliably measured.

(c) is updated when changes in facts or circumstances indicate that there is a significant change in the liability to make lease payments or in the right to receive lease payments arising from changes in the lease term or contingent payments, including expected payments under term option penalties and residual value guarantees, since the previous reporting period (paragraphs 17, 39, 56 and BC132–BC135).

Question 8: Lease term

Do you agree that a lessee or a lessor should determine the lease term as the longest possible term that is more likely than not to occur taking into account the effect of any options to extend or terminate the lease? Why or why not? If not, how do you propose that a lessee or a lessor should determine the lease term and why?

Ally’s Response: No. We strongly believe that the term option should be evaluated and recorded at the time the option is exercised or is certain to be exercised and not before. The practicality of assigning probability that a lessee will extend or shorten the contractual lease term is nothing more than a guess and will be difficult to support to outside auditors. We also believe that the threshold of “more likely than not” is not sufficiently certain enough to actually record an event in our accounting records. We can
envision scenarios where assets and liabilities are recorded based on probabilities that do
not occur resulting in volatility in our financial statements when those probabilities are
corrected to zero. In turn, using known contractual terms for the present value
calculation would provide better symmetry between lessor and lessee accounting which
the Board notes is not likely to occur under probability scenarios.

**Question 9: Lease payments**

Do you agree that contingent rentals and expected payments under term option penalties
and residual value guarantees that are specified in the lease should be included in the
measurement of assets and liabilities arising from a lease using an expected outcome
technique? Why or why not? If not, how do you propose that a lessee or a lessor should
account for contingent rentals and expected payments under term option penalties and
residual value guarantees and why?

Do you agree that lessors should only include contingent rentals and expected payments
under term option penalties and residual value guarantees in the measurement of the right
to receive lease payments if they can be reliably measured? Why or why not?

**Ally’s Response: No.** As noted in our general comments, we believe that contingent
payments of any kind, including contingent rent, term options and residual value
 guarantees should be evaluated at the time measureable or exercisable and not before.
The practicality of assigning a probability that a lessee will extend or shorten the
contractual lease term is nothing more than a guess. We cannot project the propensity to
extend a lease as it nears the end of the contractual period with any more accuracy than
we could project contingent rentals. In turn, using contractual terms and known cash
flows for the present value calculation would provide better symmetry between lessor and
lessee accounting which the Board notes is not likely to occur under probability
scenarios.

**Question 10: Reassessment**

Do you agree that lessees and lessors should remeasure assets and liabilities arising under
a lease when changes in facts or circumstances indicate that there is a significant change
in the liability to make lease payments or in the right to receive lease payments arising
from changes in the lease term or contingent payments (including expected payments
under term option penalties and residual value guarantees) since the previous reporting
period? Why or why not? If not, what other basis would you propose for reassessment
and why?

**Ally’s Response: Yes.** We believe that known events should be recorded in the period
discovered in keeping with generally accepted recognition principles.

**Sale and leaseback**

This exposure draft proposes that a transaction should be treated as a sale and leaseback
transaction only if the transfer meets the conditions for a sale of the underlying asset and
proposes to use the same criteria for a sale as those used to distinguish between purchases
or sales and leases. If the contract represents a sale of the underlying asset, the leaseback
also would meet the definition of a lease, rather than a repurchase of the underlying asset by the lessee (paragraphs 66–67, B31 and BC160–BC167).

**Ally’s Response:** No response as Ally does not engage in these activities.

**Question 11**
Do you agree with the criteria for classification as a sale and leaseback transaction? Why or why not? If not, what alternative criteria would you propose and why?

**Ally’s Response:** No response as Ally does not engage in these activities.

**Presentation**
This exposure draft proposes that lessees and lessors should present the assets, liabilities, income (or revenue), expenses and cash flows arising from leases separately from other assets, liabilities, income, expenses and cash flows (paragraphs 25–27, 42–45, 60–63 and BC142–BC159).

**Question 12: Statement of financial position**
(a) Do you agree that a lessee should present liabilities to make lease payments separately from other financial liabilities and should present right-of-use assets as if they were tangible assets within property, plant and equipment, but separately from assets that the lessee does not lease (paragraphs 25 and BC143–BC145)? Why or why not? If not, do you think that a lessee should disclose this information in the notes instead? What alternative presentation do you propose and why?

**Ally’s Response:** No. We do not believe that it is necessary to present liabilities to make lease payments separately from other liabilities unless they are material to the financial statements as a whole.

(b) Do you agree that a lessor applying the performance obligation approach should present underlying assets, rights to receive lease payments and lease liabilities gross in the statement of financial position, totaling to a net lease asset or lease liability (paragraphs 42, BC148 and BC149)? Why or why not? If not, do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

**Ally’s Response:** (1) No. We do not believe that gross presentation is necessary or more useful on the face of the statement of financial position and, as discussed throughout our general comments, we believe that current lessor accounting reflects the underlying economics of the transaction. We believe that this additional information could be effectively communicated in the notes to the financial statements, if necessary or material. (2) Yes. We believe this information could be effectively communicated in the notes to the financial statements, if material, and if the proposal as written is finalized, net presentation on the statement of financial position would be sufficient, however as discussed in our general comments, we believe that current lessor accounting reflects the underlying economics of the transaction and need not be changed.
(c) Do you agree that a lessor applying the derecognition approach should present rights to receive lease payments separately from other financial assets and should present residual assets separately within property, plant and equipment (paragraphs 60, BC154 and BC155)? Why or why not? Do you think that a lessor should disclose this information in the notes instead? What alternative presentation do you propose and why?

Ally’s Response: Yes. We believe that it is necessary to present liabilities to make lease payments or residual assets separately from other liabilities or assets when they are material to the financial statements as a whole, as is currently prescribed under SEC rules.

(d) Do you agree that lessors should distinguish assets and liabilities that arise under a sublease in the statement of financial position (paragraphs 43, 60, BC150 and BC156)? Why or why not? If not, do you think that an intermediate lessor should disclose this information in the notes instead?

Ally’s Response: No. We do not believe that the characteristics of a sublease are significantly discernable from a lease contract to require them to be separately distinguished in the statement of financial position.

Question 13: Income statement
Do you think that lessees and lessors should present lease income and lease expense separately from other income and expense in the income statement (paragraphs 26, 44, 61, 62, BC146, BC151, BC152, BC157 and BC158)? Why or why not? If not, do you think that a lessee should disclose that information in the notes instead? Why or why not?

Ally’s Response: Yes, when material and/or considered relevant to understanding the operations of a business entity.

Question 14: Statement of cash flows
Do you think that cash flows arising from leases should be presented in the statement of cash flows separately from other cash flows (paragraphs 27, 45, 63, BC147, BC153 and BC159)? Why or why not? If not, do you think that a lessee or a lessor should disclose this information in the notes instead? Why or why not?

Ally’s Response: Yes, when material and/or considered relevant to understanding the operations of a business entity.

Disclosure
Question 15
Do you agree that lessees and lessors should disclose quantitative and qualitative information that:
(a) identifies and explains the amounts recognized in the financial statements arising from leases; and
(b) describes how leases may affect the amount, timing and uncertainty of the entity’s future cash flows? (paragraphs 70–86 and BC168–BC183)? Why or why not? If not, how would you amend the objectives and why?

**Ally’s Response:** Yes, when material and/or considered relevant to understanding the operations of a business entity, these types of disclosures should be made. As discussed throughout our general comments, we believe that for lessors, the current model is reflective of the economics of the transaction and therefore, much of the information discussed in the proposed update, should only be required in the notes to the financial statements.

**Transition Question 16**

(a) This exposure draft proposes that lessees and lessors should recognize and measure all outstanding leases as of the date of initial application using a simplified retrospective approach (paragraphs 88–96 and BC186–BC199). Are these proposals appropriate? Why or why not? If not, what transitional requirements do you propose and why?

**Ally’s Response:** No. We believe the complexity and resource commitment required to provide comparative period information makes even simplified retrospective application inappropriate. However, if the Board does finalize the Proposed Update as currently written, we believe that we would need additional time prior to adoption devoted to preparation of comparative year information.

(b) Do you think full retrospective application of lease accounting requirements should be permitted? Why or why not?

**Ally’s Response:** Yes. We believe that certain business entities may be able to account for and wish to report based on full retrospective application and should be permitted to elect such application.

(c) Are there any additional transitional issues the boards need to consider? If yes, which ones and why?

**Ally’s Response:** Yes. We urge the Board to consider an extended effective date from issuance of the final guidance on leases. Retrospective application, even under the “simplified” method is going to require capturing lease information within the comparative period to be able to properly report on such loans at adoption. We also believe that the information system development necessary to be able to calculate and report leases under the Proposed Update is a multi-year project that will come at a material cost to our business.
Benefits and costs

Question 17
Paragraphs BC200–BC205 set out the boards’ assessment of the costs and benefits of the proposed requirements. Do you agree with the boards’ assessment that the benefits of the proposals would outweigh the costs? Why or why not?

Ally’s Response: No. We believe that as a lessor the current accounting model is the appropriate model for accounting for our lease portfolio and that the Proposed Update, as written, will result in complexity and operational burden that far outweigh any perceived benefit.

As a lessee the effort that we will expend for gathering, calculating, reporting and reassessing option terms, contingent rent, residual value guarantees and option penalties far outweigh the benefit to users of our financial statements. As these values are estimates based on multiple probabilities of outcomes that we do feel that we can accurately predict, the usefulness is questionable. As noted in our general comments, we believe that leases should be evaluated based on contractually and legally obligated terms and any changes to those terms to be evaluated and recorded at the time they are known. We believe the known contractual lease terms are of the most benefit to users of financial statements. We also believe the known contractual lease terms would be the most representationally faithful financial reporting of lease obligations for both lessors and lessees and that the application of the practical expedient for short term leases to all leases would support the Board’s objective of bringing lease obligations by lessees onto balance sheets.

Other comments

Question 18
Do you have any other comments on the proposals?

Ally’s Response: Yes. We refer you to our general comments.

Non-public entities

Question 19
Should any of the proposed guidance be different for non-public entities (private companies and not-for-profit organizations)? If so, which requirement(s) and why?

Ally’s Response: No. Ally believes the guidance should be adopted universally by all entities for comparability. As noted above, we are asking the Board for an extended effective date from the time of issuance which should be workable for all entities.