DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

January 15, 2013

The Honorable Christy L. Romero
Special Inspector General
for the Troubled Asset Relief Program
1801 L Street, NW, 4th Floor
Washington, D.C. 20036

Re: Treasury Response to SIGTARP January 2013 Quarterly Report Section 3

Dear Ms. Romero:

I write in response to the vetting draft of section three to the pending SIGTARP Quarterly Report to Congress (draft), which was provided for Treasury's review for factual and technical correctness. We have identified a number of inaccuracies. The draft contends that Treasury has no strategy for exiting its investment in Ally Financial. Treasury has discussed its exit strategy with SIGTARP several times in the past few weeks, and also has described its exit strategy publicly, including in a statement we issued in May 2012.[1]

Ally Financial originally planned to launch an IPO in order to assist Treasury's exit. That plan was postponed in the summer of 2011, however, due to intensifying issues related to Ally Financial's mortgage subsidiary Residential Capital LLC's (ResCap's) legacy mortgage liabilities, and a general weakening in the IPO market. Proceeding with an IPO at that particular moment would not have been in the interest of maximizing returns for taxpayers.

Then, in May 2012, Ally Financial, with Treasury's consent, commenced two strategic initiatives that were necessary and critical for Treasury to continue recovering its investment. The first was the Chapter 11 proceeding by ResCap, which provides a structured way to address the legacy mortgage liabilities (described above) such that they do not adversely affect the rest of Ally Financial's business – the auto finance and banking operations, both of which remain healthy and profitable. Once the legacy mortgage liabilities are addressed, Treasury will be able to monetize its remaining investment. The second strategic initiative was the sale of Ally Financial's international operations, which will generate cash that can be used to repay Treasury. The sale also reduces the size and complexity of the company, which can facilitate monetization of our investment.

Ally Financial has made great progress in both these initiatives, but more work remains to be done. Regarding the first initiative, the court-appointed examiner is due to complete his report in

[1] Timothy G. Massad, Putting Taxpayers in a Stronger Position to Continue Recovering Their Investment in Ally Financial, (May 14, 2012), http://www.treasury.gov/connect/blog/Pages/Putting-Taxpayers-in-a-Stronger-Position-to-Continue-Recovering-Their-Investment-in-Ally-Financial.aspx.

April 2013. In addition, the court also appointed a mediator last month to facilitate discussions between ResCap and its creditors on a restructuring plan. That reorganization plan could be filed as early as May 2013. Regarding the second initiative, Ally Financial entered into contracts last fall to sell all of its international operations at prices aggregating $9.2 billion, which represents an aggregate gain of $1.6 billion. Those sales are due to close at various times over the course of 2013.

As these two key initiatives are completed, Treasury will be able to monetize its remaining investment through a sale of its stock (either through a public or private sale) or through further sales of assets. How those sales options develop will depend on the progress of Ally Financial's two strategic initiatives, market conditions, and other factors. Therefore, Treasury will continue to work with the company and Treasury's advisors in considering these options and making appropriate preparations for them.

In addition, the draft suggests that, given the issues facing ResCap today, Treasury and Ally Financial should have taken different actions at the height of the financial crisis. At that time, Ally Financial provided approximately 75% of the "floor plan" financing for auto dealers to buy vehicles from GM. An Ally Financial Chapter 11 bankruptcy likely would have jeopardized the availability of that financing. That, in turn, could have threatened the survival of GM and Chrysler, as well as the health of the broader auto industry. In addition, GM and Chrysler were already undergoing Chapter 11 restructurings in 2009. Adding an Ally Financial bankruptcy filing at the same time could have significantly decreased the likelihood of successfully completing the GM and Chrysler restructurings. Moreover, it is important to note the changing circumstances with regard to ResCap, as issues surrounding ResCap's legacy mortgage liabilities have significantly intensified since 2009.

I hope this clarifies Treasury's exit strategy for the investment in Ally Financial. As always, if you have any questions, please do not hesitate to contact us.

Sincerely,

Tim Massad

Timothy G. Massad