TROUBLIED ASSET RELIEF PROGRAM

Government’s Exposure to Ally Financial Lessens as Treasury’s Ownership Share Declines

What GAO Found

The Department of the Treasury (Treasury) reduced its ownership stake in Ally Financial Inc. (Ally Financial) from 74 percent in October 2013, to 16 percent as of June 30, 2014. As shown in the figure below, the pace of Treasury’s reduction in its ownership share of Ally Financial accelerated in 2013 and corresponds with two key events. First, in November 2013, the Board of Governors of the Federal Reserve System (Federal Reserve) did not object to Ally Financial’s resubmitted 2013 capital plan, which allowed Ally Financial to repurchase preferred shares from Treasury and complete a private placement of common shares. Second, in December 2013 the bankruptcy proceedings of Ally Financial’s mortgage subsidiary, Residential Capital LLC (ResCap), were substantially resolved. The confirmed Chapter 11 plan broadly released Ally Financial from any and all legal claims by ResCap and, subject to certain exceptions, all other third parties, in exchange for $2.1 billion in cash from Ally Financial and its insurers. As of June 30, 2014, Treasury had received $17.8 billion in sales proceeds and interest and dividend payments on its total assistance to Ally Financial of $17.2 billion.

Ally Financial’s financial condition has continued to stabilize in late 2013 and early 2014 as illustrated by multiple capital, profitability, and liquidity measures. For example, Ally Financial’s capital ratios have remained above regulatory minimum levels since 2009, which indicates that it is in a better position to absorb financial losses. In addition, the company raised significant levels of common equity through private and public share offerings. According to recent credit rating agency analyses, Ally Financial is competitive in automotive financing, particularly in the floor-plan business segment, which focuses on dealer financing. However, analysts reported that the company faces potential competitive challenges, such as the loss of certain exclusive relationships with General Motors Company and Chrysler Group LLC.