

4/12/13

Pilot Monitoring Program for Dealer Finance Income

This monitoring program is intended to detect potential discrimination by dealers when dealers negotiate contract APRs with their customers by observing the difference between Ally's buy rate and the negotiated contract APR (the "rate spread"). Ally notes that because Ally does not have direct information regarding the race or ethnicity of applicants and because such analyses are based only on the retail installment sale contracts purchased by Ally, the analyses contemplated may be subject to statistical inaccuracies. Nevertheless, Ally has decided to undertake such analyses, and to act upon them, for its own reputational risk mitigation purposes. Ally acknowledges that statistically significant differences detected pursuant to this monitoring program do not necessarily indicate discrimination by the dealer.

Statistical Detection of Dealers for Review

On a semiannual basis, Risk will analyze standard rate retail installment sale contracts acquired over a six (6) month period to determine whether there are differences in the rate spreads for a dealer's presumed minority applicants when compared to a control group of presumed nonminority (*i.e.*, white, non-Hispanic) applicants:¹

- Areas to Be Tested: Presumed African-American and Hispanic applicants using appropriate geographic and/or name-based proxies. Additionally, Ally will consider monitoring for other applicant groups after assessing any relevant summary statistics and whether there is sufficiently reliable information for proxy construction and analysis.
- Minimum Volume Threshold: Dealers, identified by Primary Dealer Number (PDN), where Ally has purchased at least five (5) contracts with applicants coded as presumed minority applicants (*e.g.*, at least 5 presumed African-American applicants) and at least five (5) contracts with applicants coded as presumed nonminority applicants.²
- Methodology: Risk will construct a regression model to estimate an "adjusted" rate spread that will include attributes for credit or other statistically relevant nondiscriminatory explanatory factors. This model will include a proxy variable for presumed African-American applicants or presumed Hispanic applicants, as the case may be, and other nondiscriminatory explanatory factors. Next, Risk will calculate the predicted rate spread for each transaction, based on this portfolio regression model. Then, for each PDN, Risk will compare the differences between applicants' actual rate spreads and those predicted by the regression model to determine if:

¹ Risk may implement reasonable data exclusions for this population with the concurrence of Compliance.

² If a proxy methodology combines both name and geography, then the name-based proxy threshold generally will apply. Risk may adjust these volume thresholds in appropriate circumstances with the concurrence of Compliance.

4/12/13

- The average difference for presumed minority applicants is more than twenty (20) basis points than the average difference for presumed nonminority applicants; and
- This difference is statistically significant.

If a dealer meets both of the criteria above (and the minimum volume threshold) for two successive six (6) month periods, then that dealer will be referred to Compliance for a "matched pair analysis." (If no dealers are identified for an analysis period, then Risk will report that outcome to Compliance.)

Matched Pair Analysis

If dealers are referred to Compliance for matched pair analysis, then Compliance will compare each transaction with a presumed minority applicant to a transaction with a similarly-situated presumed nonminority applicant.³ (If no such transaction can be found, then Compliance may assume that the transaction's terms were not due to the applicant's race/ethnicity.) When assessing whether applicants are similarly-situated, Compliance will consider the similarity of both the applicants' credit profiles and the transactions. This assessment may include factors such as credit score, income, employment, the selling dealership, the vehicle sold, the transaction structure, and transaction timing. Based on such comparisons, Compliance shall assess whether there are nondiscriminatory factors that explain the observed statistical difference for a dealer.

If, for a particular dealer, there are more transactions with presumed minority applicants than can be reviewed in a practical and timely manner, then Compliance may base its assessment of that dealer on a matched pair analysis including the five (5) presumed minority transactions with the largest rate spreads and a random sample of at least ten (10) other presumed minority transactions for that dealer (which then would be compared to fifteen (15) similarly-situated presumed nonminority applicants).

Referral for Dealer Corrective Action

If matched pair analysis does not, in the judgment of Compliance, demonstrate that the observed differences are due to non-discriminatory factors, then Compliance shall notify Dealer Financial Services ("DFS") that corrective action may be needed with respect to the dealer in question. Compliance also shall track the number of times that a dealer has been referred for potential corrective action.

Dealer Corrective Action

Upon notification from Compliance regarding the potential need for corrective action, DFS will contact an identified dealer. In connection with such contact, DFS will inform the dealer of Ally's monitoring results and may request any additional

³ Compliance also may opt to refer dealers for corrective action without a full matched pair analysis in circumstances where Compliance determines that direct referral for corrective action is appropriate.

4/12/13

documentation from the dealer demonstrating that the observed results are not due to applicants' race or ethnicity. If a dealer chooses to provide additional evidence, DFS will provide such evidence to Compliance for an assessment of whether the additional evidence demonstrates that the observed differences are due to nondiscriminatory factors.⁴

If a dealer does not provide evidence disproving the need for corrective action, then DFS shall take the following corrective action based on the number of times that a dealer has been referred (subject to the limitation below):⁵

- First referral (Awareness and Voluntary Education): DFS will make the dealer aware of the dealer's potential risk under the Equal Credit Opportunity Act (ECOA) and provide the dealer with voluntary training regarding its ECOA obligations.
- Second referral (Joint Compliance Plan): DFS will require that the dealer provide a written compliance plan to mitigate its risk under the ECOA. To facilitate this compliance plan, DFS will work with the dealer to ensure that the dealer is aware of potentially appropriate compliance tools, such as targeted mandatory training, monitoring of contract terms, and other controls on dealer finance income.
- Third referral (Ally Remediation): DFS will implement a remediation plan to mitigate the potential for discrimination at the dealer. DFS will tailor the remediation plan to the specific dealer's circumstances and the plan may include tools such as reducing the maximum acceptable rate spread for the dealer, only allowing non-rate based dealer finance income (*i.e.*, flats), restricting rate shaves available to the dealer, more frequent monitoring, and/or other appropriate controls.
- Fourth referral (Dealer Termination): DFS will cease purchasing standard rate retail installment sale contracts from the dealer. The dealer may not request that DFS reestablish its willingness to purchase retail installment sale contracts for at least one (1) year.

If DFS has taken corrective action against a dealer (regardless of stage), and that dealer is not referred again in at least two (2) consecutive analysis periods, then the number of referrals for such dealer shall be reset to zero for the purpose of applying the corrective action progression set forth above. Additionally, the corrective action process above is intended to be the minimum action taken. DFS may elect to take additional corrective

⁴ If a dealer does produce additional evidence demonstrating that the observed difference was due to nondiscriminatory factors, then referral shall not be counted for the purpose of applying the corrective action progression.

⁵ Ally has implemented a progression of corrective actions in part due to the statistical uncertainties of an analysis to detect potential discrimination based on limited data, including but not limited to a lack of direct information about the applicant's race or ethnicity. Ally believes that persistent behavior over time is more likely to pose a reputational risk to Ally than relatively sporadic differences.

4/12/13

action (which may include faster escalation through the corrective action steps above or other appropriate action) with respect to an identified dealer if additional corrective action is warranted based on the circumstances for that particular dealer.

Incorporation of Any Regulatory Dealer Watchlist or Other External Data

To the extent that the CFPB, FTC, or another governmental agency identifies dealers that may be engaged in discrimination or otherwise provides information relevant to assessing the potential risk posed by a dealer, Ally will incorporate that information into its dealer assessments. To the extent that other relevant external data becomes available, such as customer complaints, media reports, or known litigation, Ally also will incorporate such information into its assessments.

Reporting

Compliance shall provide reporting to the Ally Financial Compliance Risk Committee and the Ally Bank Compliance Risk Management Committee regarding (i) the dealers identified for matched pair analysis, (ii) the results of any matched pair analysis, (iii) any referrals for potential corrective action made to DFS, and (iv) any corrective action taken. DFS and Risk shall provide any supporting information necessary for such reporting.

Dealer Finance Income Limits

This monitoring program does not replace Ally's limits on dealer finance income. In particular, Ally will not purchase retail installment sale contracts where the rate spread is more than 2.5 percentage points for contracts with 60 or fewer monthly payments, or more than 2 percentage points for contracts with more than 60 monthly payments.

Customer Remuneration

In situations where Ally determines that there is sufficient evidence indicating that a difference in customer rate spreads was caused by discrimination, Ally will provide appropriate remuneration for affected customers.