# CREDIT UNIVERSITY

## *Michael Seneski*
## *Chief Financial Officer*
## *Ford Motor Credit Company*

**June 20, 2011**

## Agenda

- **Overview, Virtuous Circle, and Scope of Operations**
- **Understanding the Drivers of the Business and Ford Credit Profit Reporting**
- **Ford Credit Business Model**
  - **Originate: Buy it Right**
  - **Service: Operate Efficiently, Collect Effectively**
  - **Fund: Fund Efficiently, Manage Balance Sheet Risk**

**Capital and Facility Loans**

**Inventory Financing**

**Inventory Insurance**


**ESB / Fee Income**

FordCredit

**Dealer Consulting**

**Commercial Loans**


**Lease Financing**


**Retail Financing**

# *FORD CREDIT IS FOCUSED ON FORD*

- **Profitably support Ford, dealers and customers through all economic cycles**

- **Strategic value delivered through:**
  - **Over 50 years of automotive financing experience**
  - **Consistent vehicle inventory financing, supporting automotive production plans and dealer inventory requirements**
  - **Exclusive Ford and Lincoln retail and lease consumer financing products; integrated go-to-market strategies**
  - **Customer relationship management programs to create customer satisfaction and loyalty, and improve sales and service experience**

# *A VIRTUOUS CIRCLE:*
# *INTEGRATION CREATES A STRATEGIC ADVANTAGE*

- **Trusted Brand**
- **Access to Dealer Channel**

**More Products, Faster**

- **Automotive Specialist with Vested Interest in Ford Dealer Success**
- **Training & Consulting**
- **Consistent Market Presence**

**FordCredit**

- **Fast, Flexible, Quality Service**
- **Full Array of Products**
- **Incremental Vehicle Sales (Spread of Business & Customer Relationship Management)**

- **Higher Customer Satisfaction and Loyalty**
- **Profits and Dividends**

# *SYNERGIES DELIVER STRATEGIC VALUE*

- Consistent wholesale financing support
  - Finance 80% of U.S. dealers, 99% in Europe
  - Dealers who wholesale with Ford Credit, on average, have:
    - Higher share of industry
    - Higher Extended Service business, Certified Pre-Owned
    - Higher customer satisfaction
- Integrated go-to-market strategies and exclusive programs
  - Maintain consistent, prudent underwriting, including during a recession
  - Finance 3 out of every 4 higher risk Ford customers
- Dominant lease provider to Ford customers
- Customers financed by Ford Credit have higher dealer and Ford loyalty than those using other dealer- or customer-arranged financing
- Profits and dividends support Ford's business and vehicle development

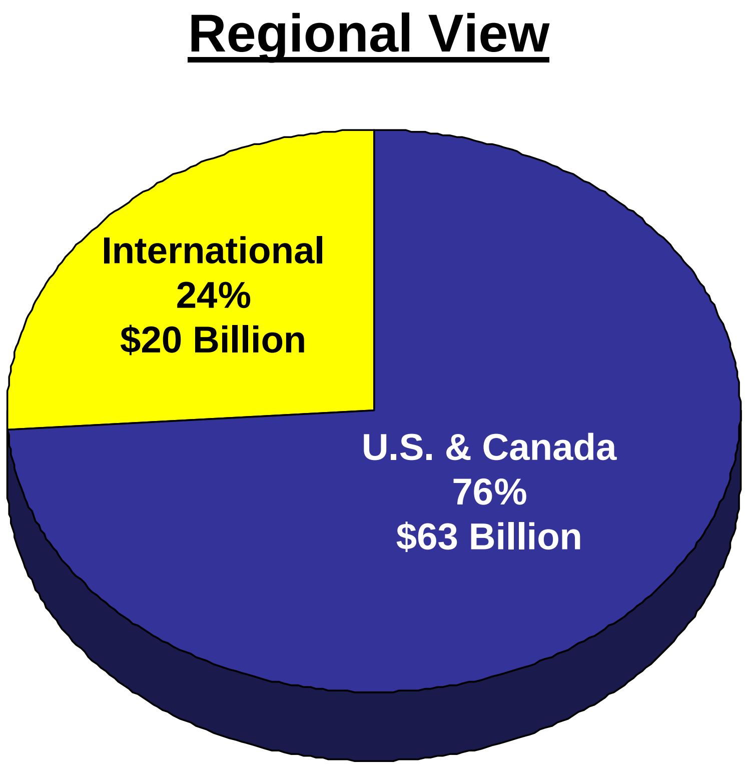
# *RELATIONSHIP AGREEMENTS WITH FORD*

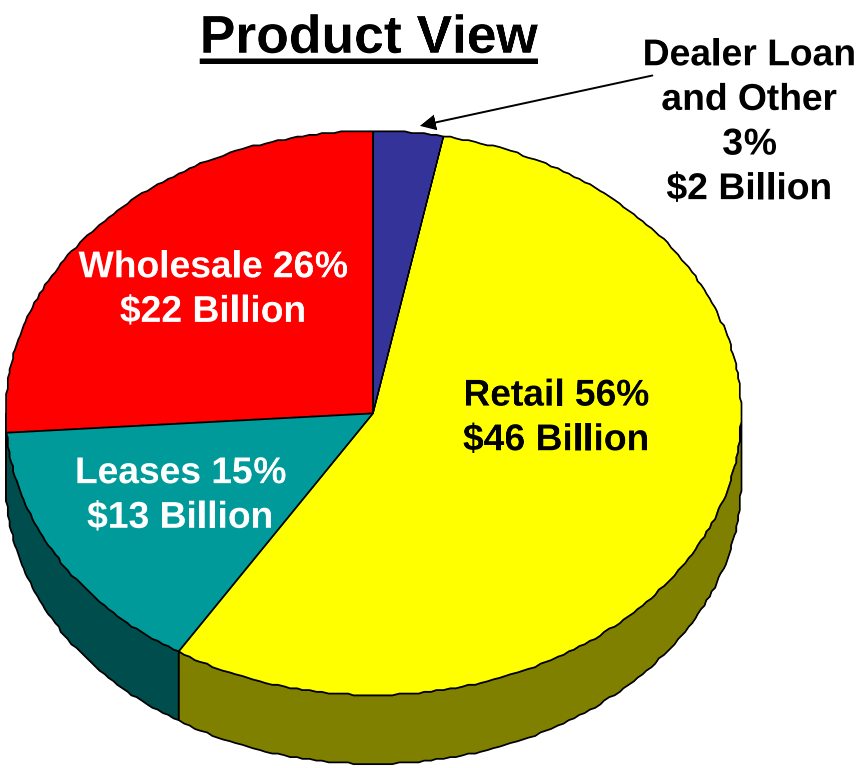
- **Any extension of credit to Ford will be on arm's length terms and will be enforced in a commercially reasonable manner**
- **Ford Credit will not guarantee more than $500 million of or make equity investments in any of Ford's automotive affiliates**
- **Ford Credit can require Ford to make a capital contribution if Ford Credit's managed leverage is greater than 11.5 to 1**
- **Ford Credit will not be required to accept credit or residual risk beyond what we would be willing to accept acting in a prudent and commercially reasonable manner**
- **Ford and Ford Credit are separate, legally distinct companies and will continue to maintain separate books, accounts, assets and liabilities**

# *SIZE AND SCOPE OF OPERATIONS*

- **Ford indirectly owns 100% of Ford Credit**
- **Ford Credit offers a wide variety of automotive financing products to and through automotive dealers around the world**
- **Globally, Ford Credit employs over 7,000 professionals and provides financing in approximately 100 countries**
- **As of year-end 2010 worldwide, Ford Credit was financing:**
  - **Over 5,600 Ford/Lincoln dealers**
  - **Over 4 million retail customers**

# *WORLDWIDE MANAGED RECEIVABLES*
# *$83 BILLION AT YEAR-END 2010**



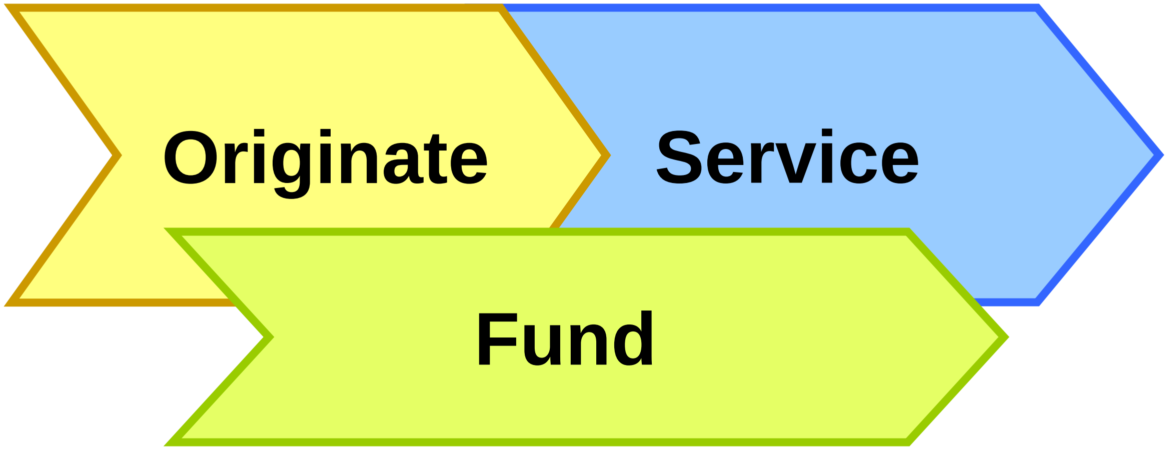




* See Appendix for definitions

# *ORIGINATION & SERVICING STRATEGY*

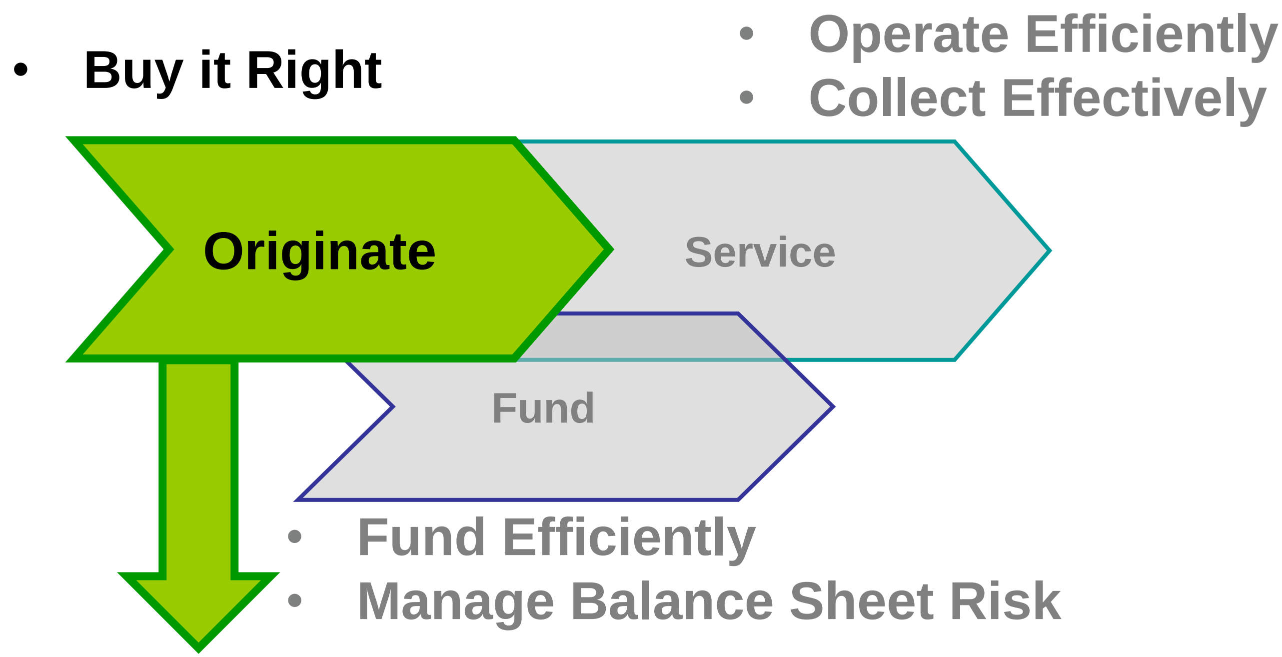
- **Collect it Effectively**
- **Operate Efficiently**

- **Buy it Right**




- **Fund it Efficiently**
- **Manage Balance Sheet Risk**

# *BUY IT RIGHT*

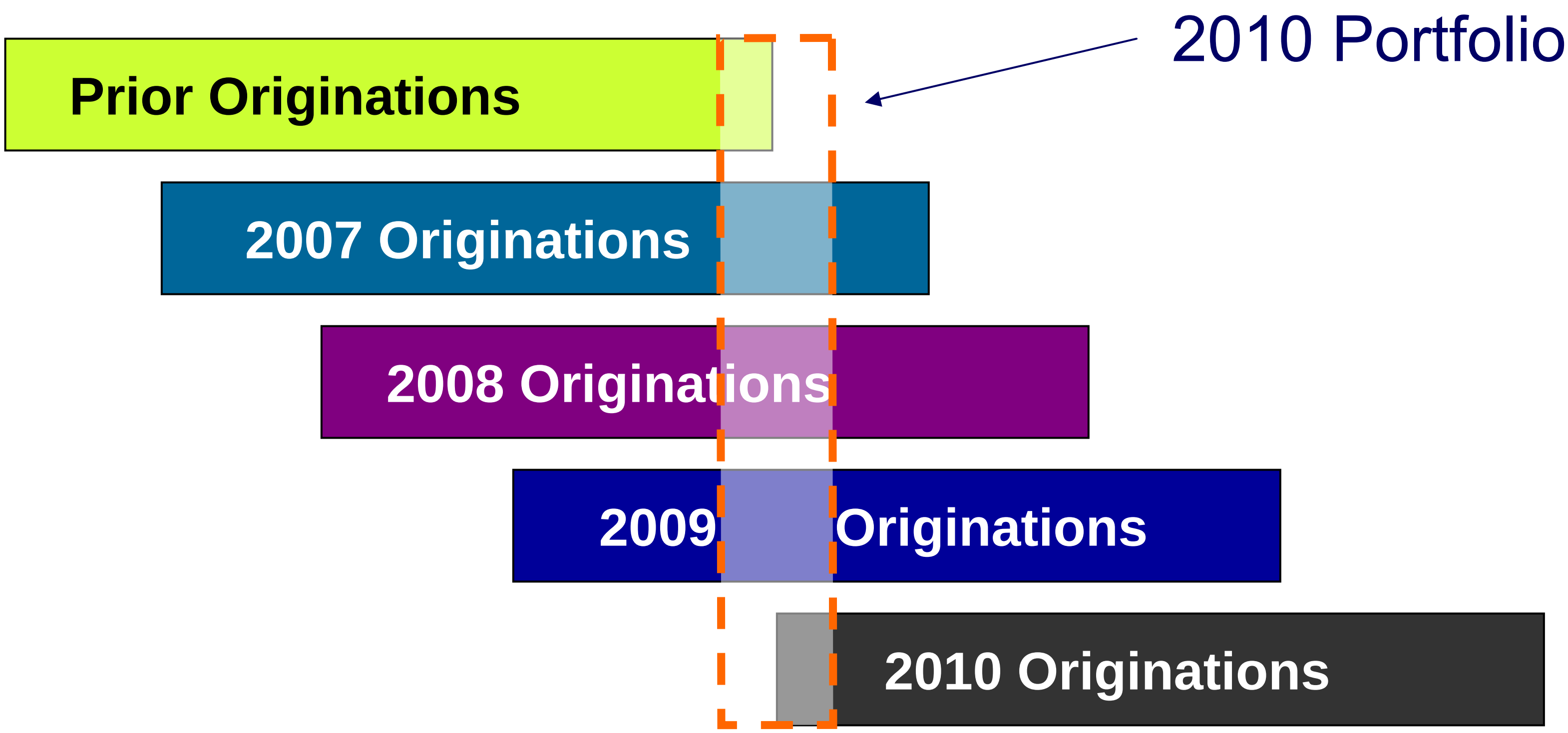



- Ford Credit's extensive risk management experience helps us "buy it right"
- We have a robust underwriting process that includes credit evaluation (proprietary scoring models) and verification
- We have strong relationships with dealers and brand partners

# *PROPRIETARY ORIGINATIONS SCORING MODEL*

- **Ford Credit uses a Probability of Payment (POP) credit risk scoring model**
- **In-house development of multiple scorecards:**
  - **Large sample sizes**
  - **Based on our experience and processes**
  - **Automotive specific**
  - **Supported by internal analytics team**
- **POP adds to credit bureau data, an evaluation of:**
  - **Financing product (retail, lease)**
  - **Customer characteristics (payment-to-income)**
  - **Contract characteristics (loan-to-value, term, payment)**

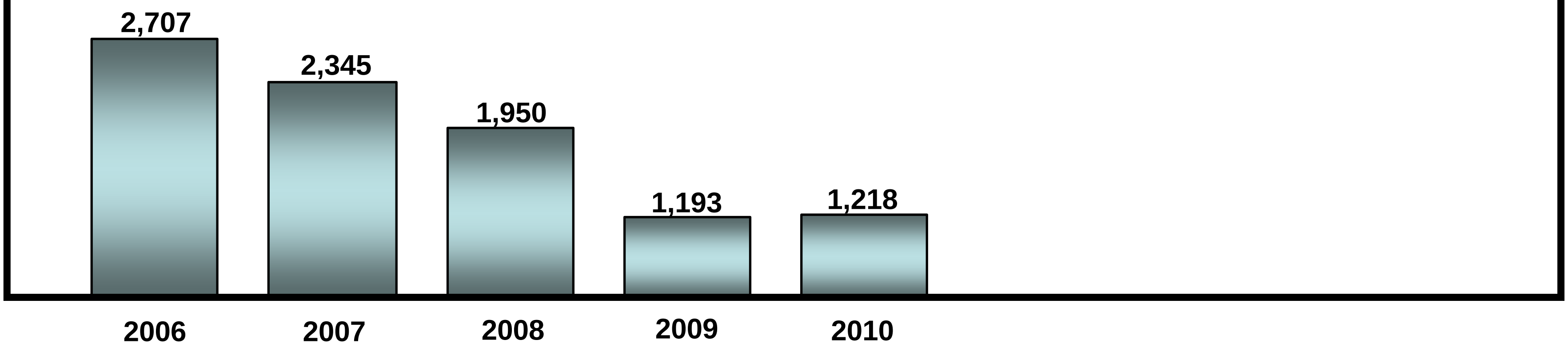
# *2010 PORTFOLIO LARGELY REFLECTED BUSINESS ORIGINATED IN PRIOR YEARS*



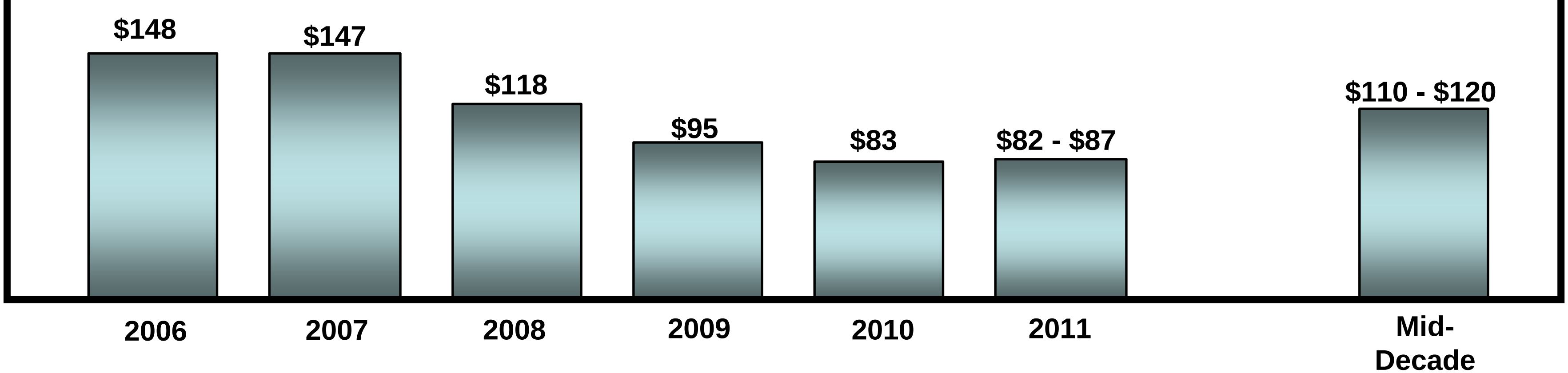

**Year-End 2010 Managed Receivables Were $83 Billion**

# HISTORICAL VOLUME AND RECEIVABLES

Contract Placement Volume (000s)

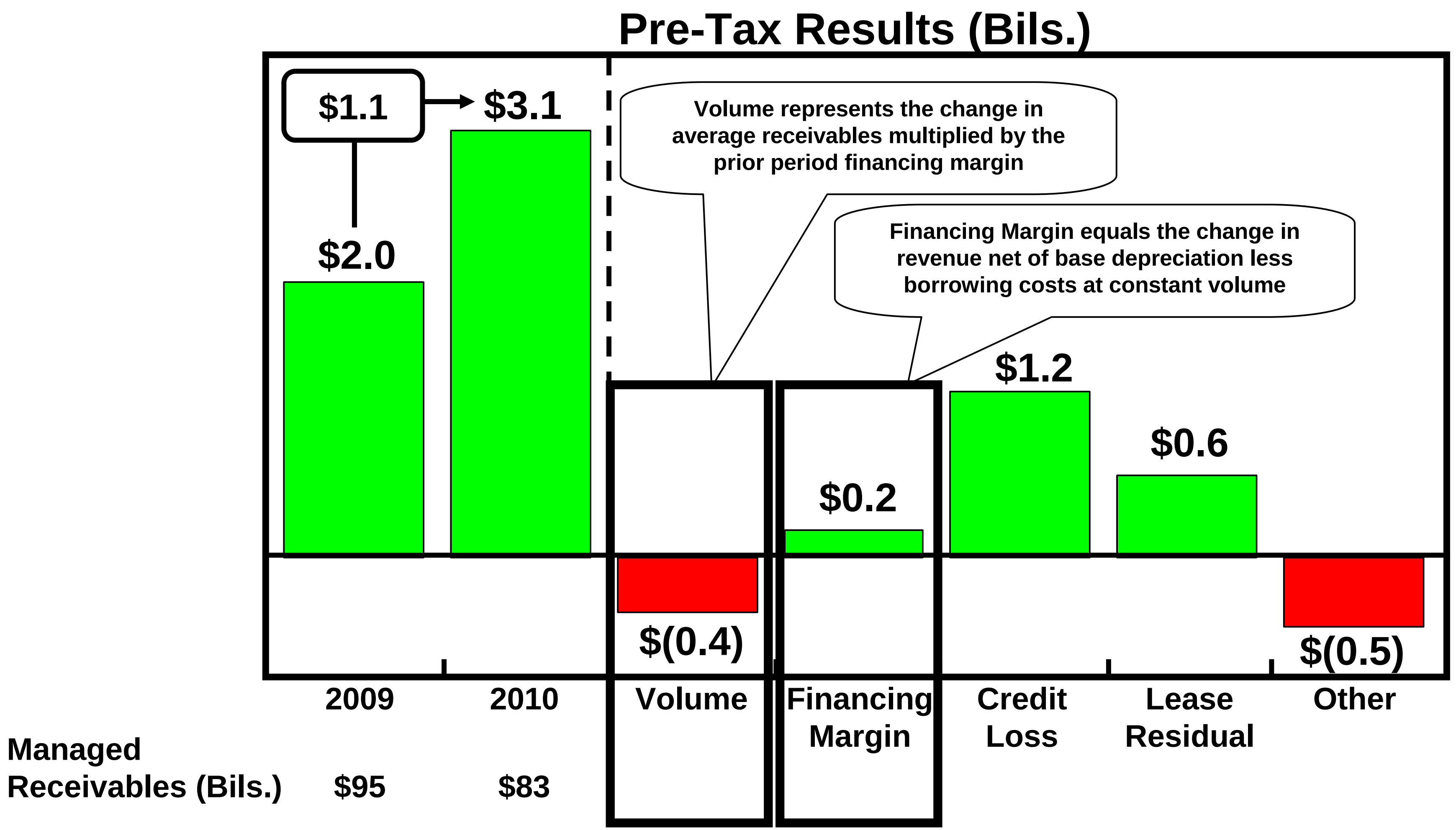



End of Period Managed Receivables (Bils.)




**Contract Volume And Receivables Are Stabilizing And Starting To Grow**

# *2010 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2009*



# *PRICING AND FORD'S MARKETING PROGRAMS*

## Pricing Concepts

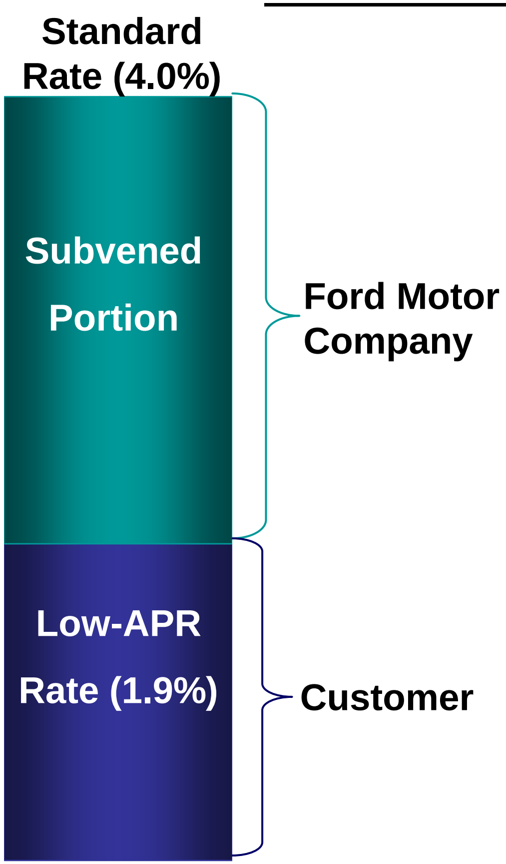
•Equity is allocated by product (retail, lease, wholesale) based on the risk profile

•Costs include:

- Borrowing Costs
- Credit Losses
- Operating Costs

•Revenue is calculated for each product based on appropriate return on equity targets

## 1.9% APR Contract



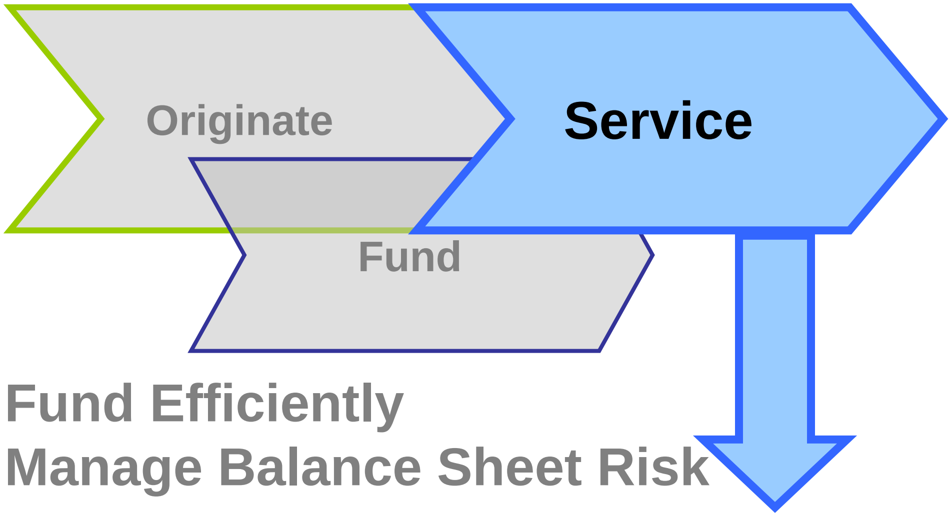

- For subvened business, Ford pays Ford Credit the difference between the standard market rate and the low-APR rate. This is paid at contract origination and recognized through income over the life of the contract
- The customer pays the low-APR rate and the principal back to Ford Credit

**Ford Credit Earns Revenue From Customer Payments and Subvention From Ford**

# *EFFICIENT AND EFFECTIVE OPERATIONS*

- Operate Efficiently
- Collect Effectively

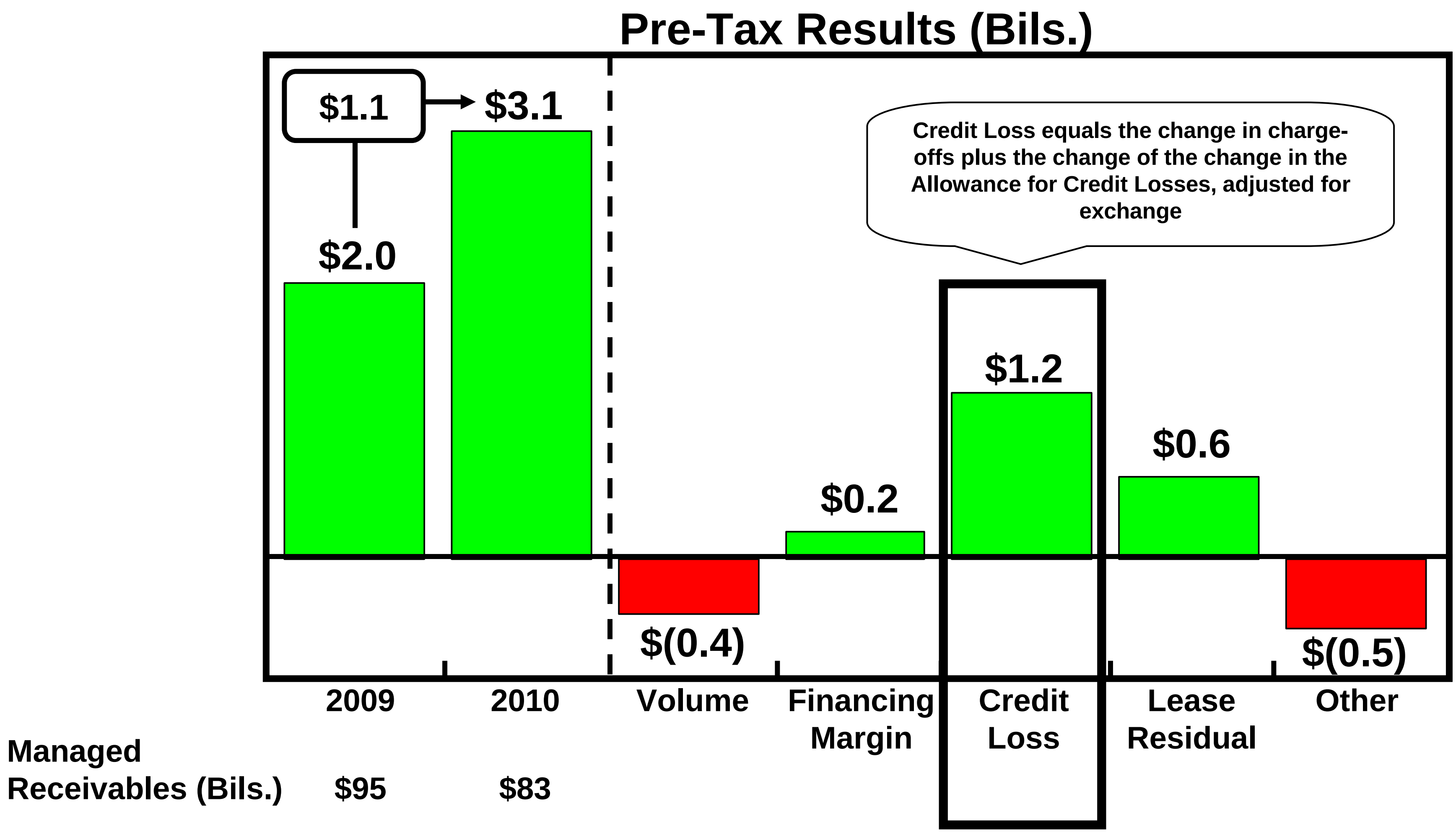
- Buy it Right




- Fund Efficiently
- Manage Balance Sheet Risk

- Ford Credit has a world-class servicing organization; drives customer loyalty to Ford
- We have enhanced collection modeling capabilities that focus appropriate attention on high-risk accounts

# *2010 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2009*

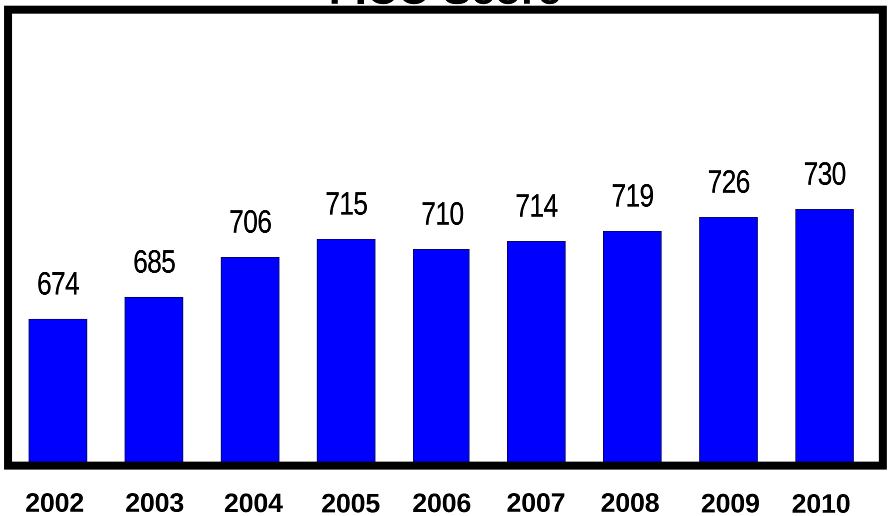


# CREDIT LOSS KEY DRIVERS

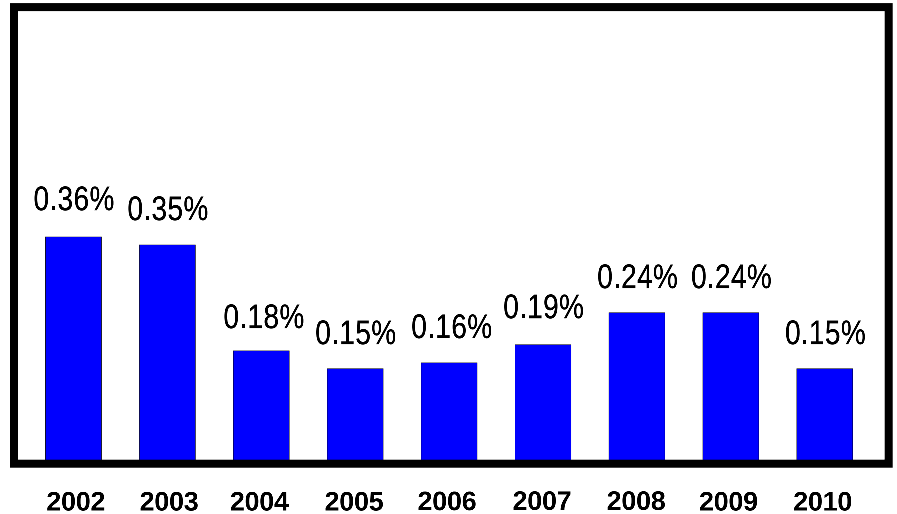
- **Purchase Practices**
  - **Broad spread of business (credit quality mix)**
  - **New and used product mix**
  - **Term and loan-to-value ratio**
- **Economy**
  - **Unemployment**
  - **Growth**
  - **Bankruptcy**
- **Used Vehicle Auction Values**

# U.S. FORD, LINCOLN AND MERCURY PORTFOLIO CREDIT LOSS METRICS

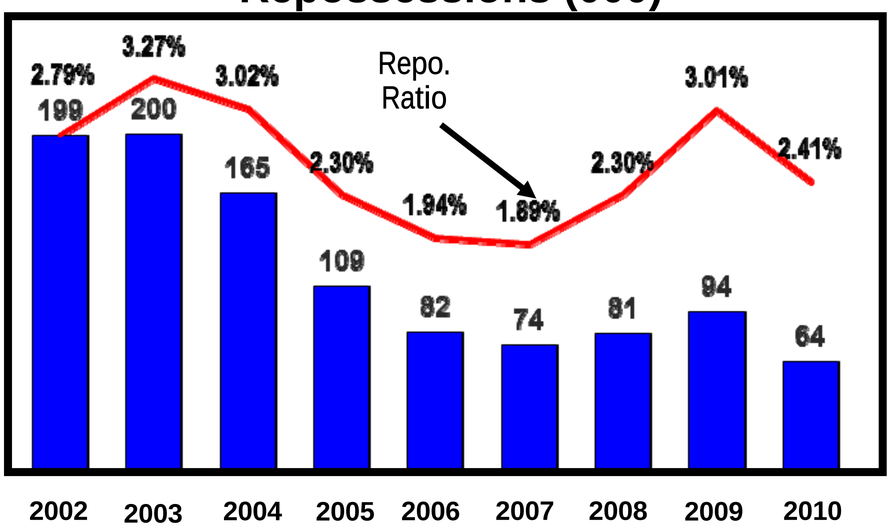
### U.S. Retail & Lease Average Placement FICO Score



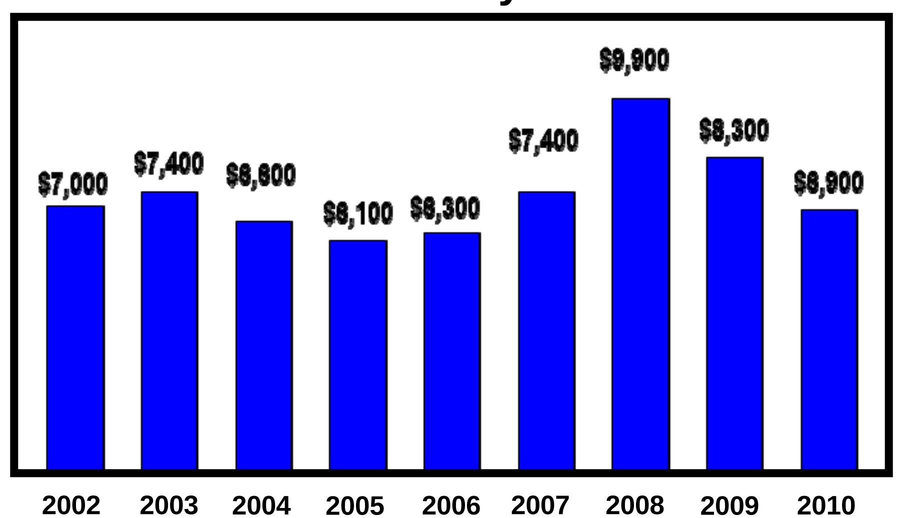

### Over-60-Day Delinquencies




### Repossessions (000)




### Severity



# *UNDERSTANDING CREDIT LOSS TERMINOLOGY*

**BALANCE SHEET**

Allowance for Credit Losses (Reserve): Estimate of the credit losses inherent in the finance receivables and operating leases as of the date of the financial statements

**INCOME STATEMENT IMPACT**

Charge-offs (net): Actual loss incurred on a receivable or lease when it is written off, less recoveries. Recoveries are amounts collected from customers after the account has been charged-off

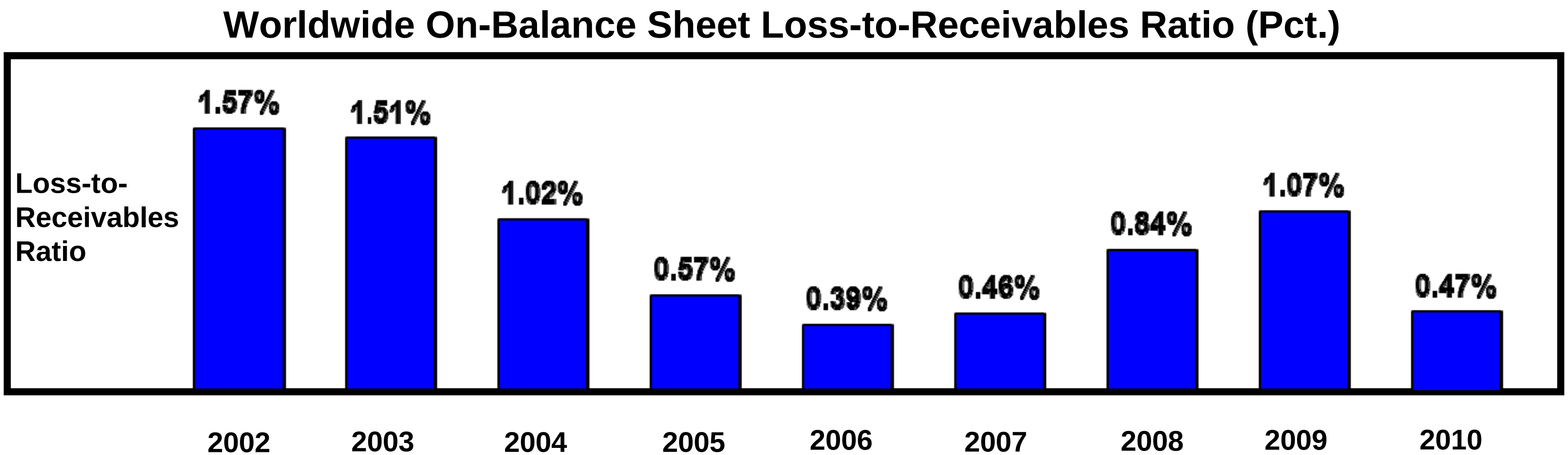
+

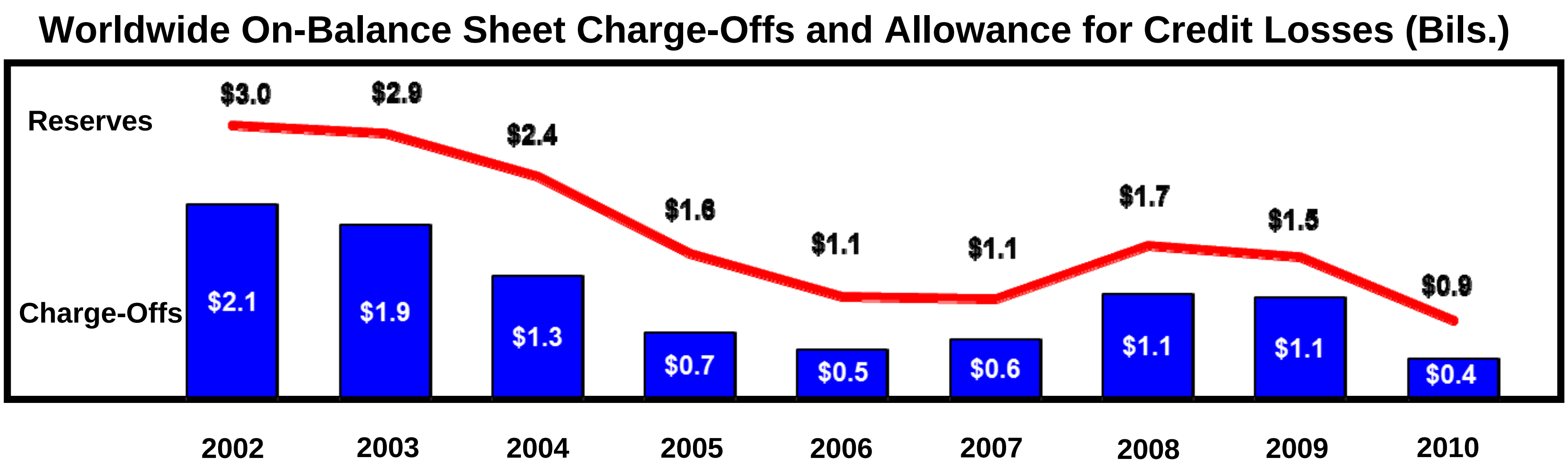
Change in Reserves: Reflects the increase or decrease in the end of period Allowance for Credit Losses

=

Provision for Credit Losses: Expense that flows through the income statement to provide appropriate allowance for credit losses, which includes the impact of charge-offs for the period

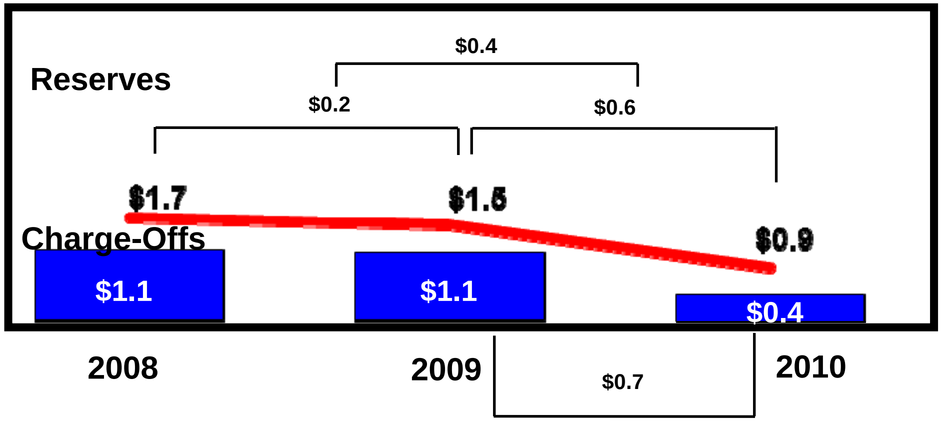
# HISTORICAL CREDIT LOSS METRICS



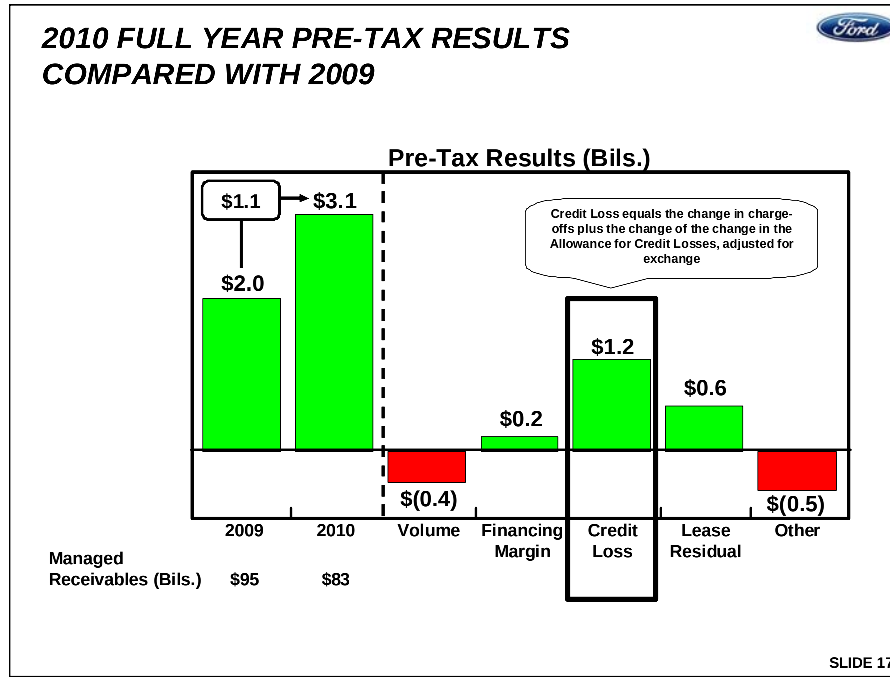



# 2010 FULL YEAR PROVISION FOR CREDIT LOSSES VARIANCE EXPLANATION

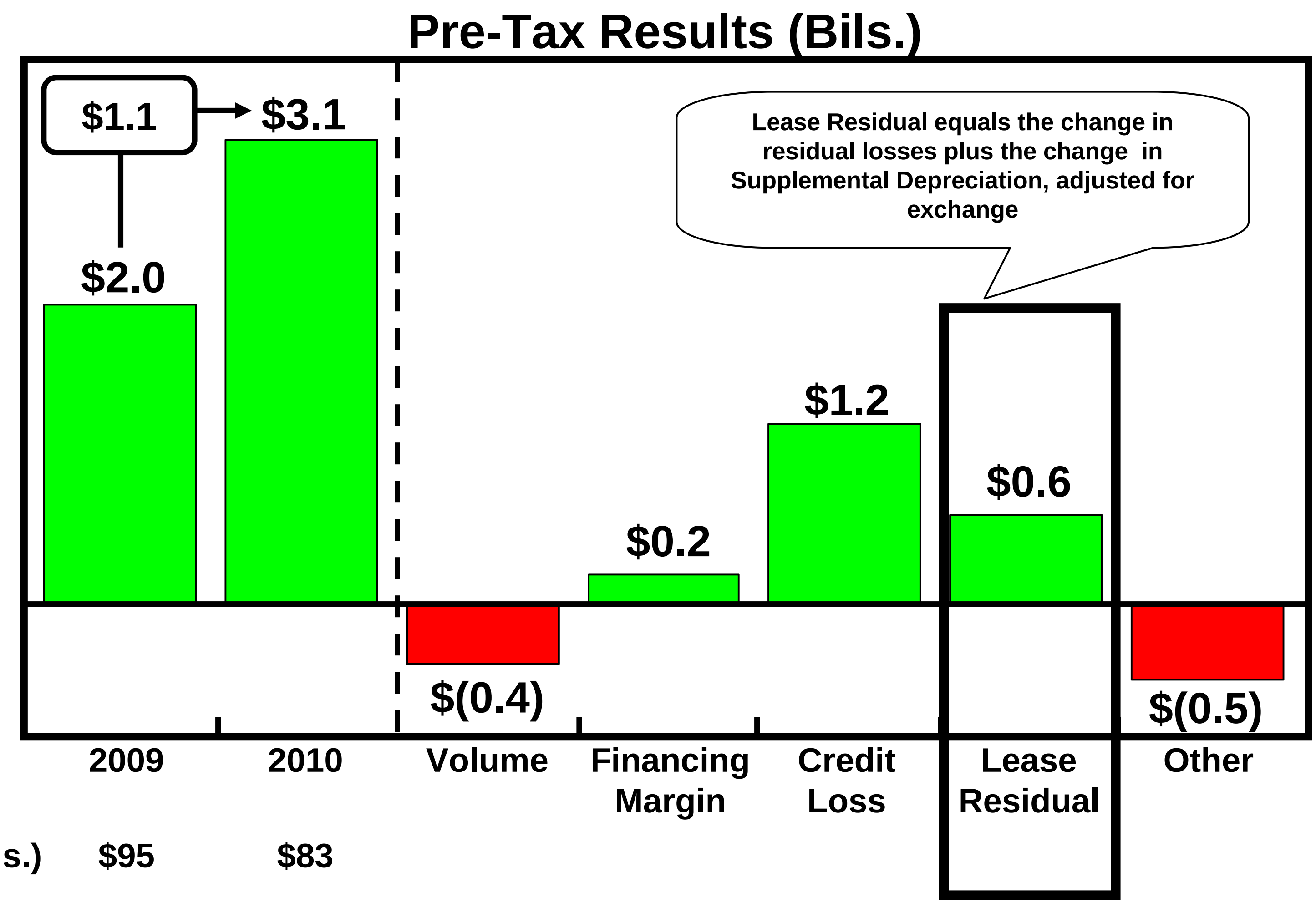
**Worldwide On-Balance Sheet Charge-Offs and Allowance for Credit Losses (Bils.)**




| 2010 Profit Impact | 2010 |
|---|---|
| Reserves | $ 0.4 |
| Charge-Offs | 0.7 |
| Other (Primarily Exchange) | 0.1 |
| Total Provision for Credit Losses | $ 1.2 |



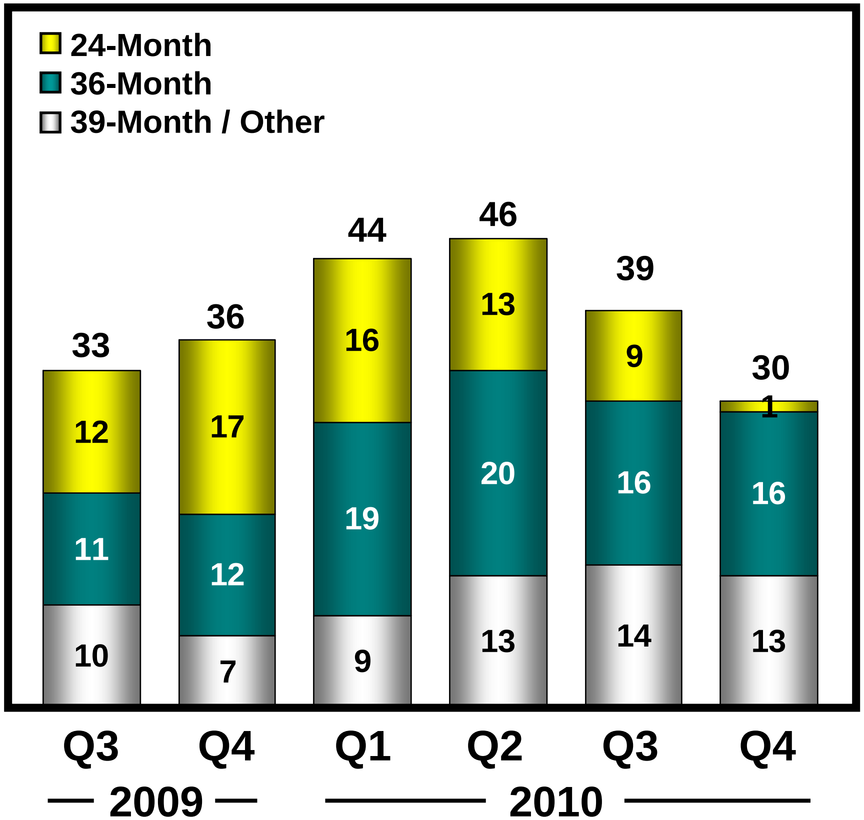
# 2010 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2009



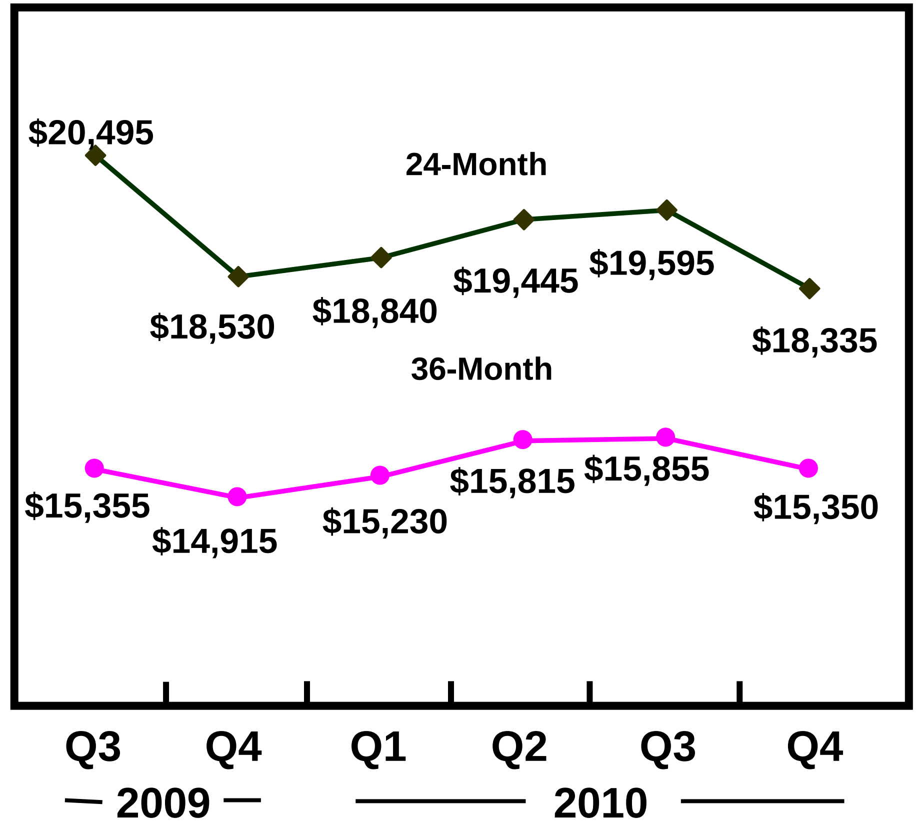

| | | |
|---|---|---|
| Managed Receivables (Bils.) | $95 | $83 |

# *LEASE RESIDUAL PERFORMANCE – FORD AND LINCOLN U.S.**

## Lease Return Volume (000)




## Auction Values (At Q4 2010 Mix)




**Memo: Ford and Lincoln U.S. Return Rates**

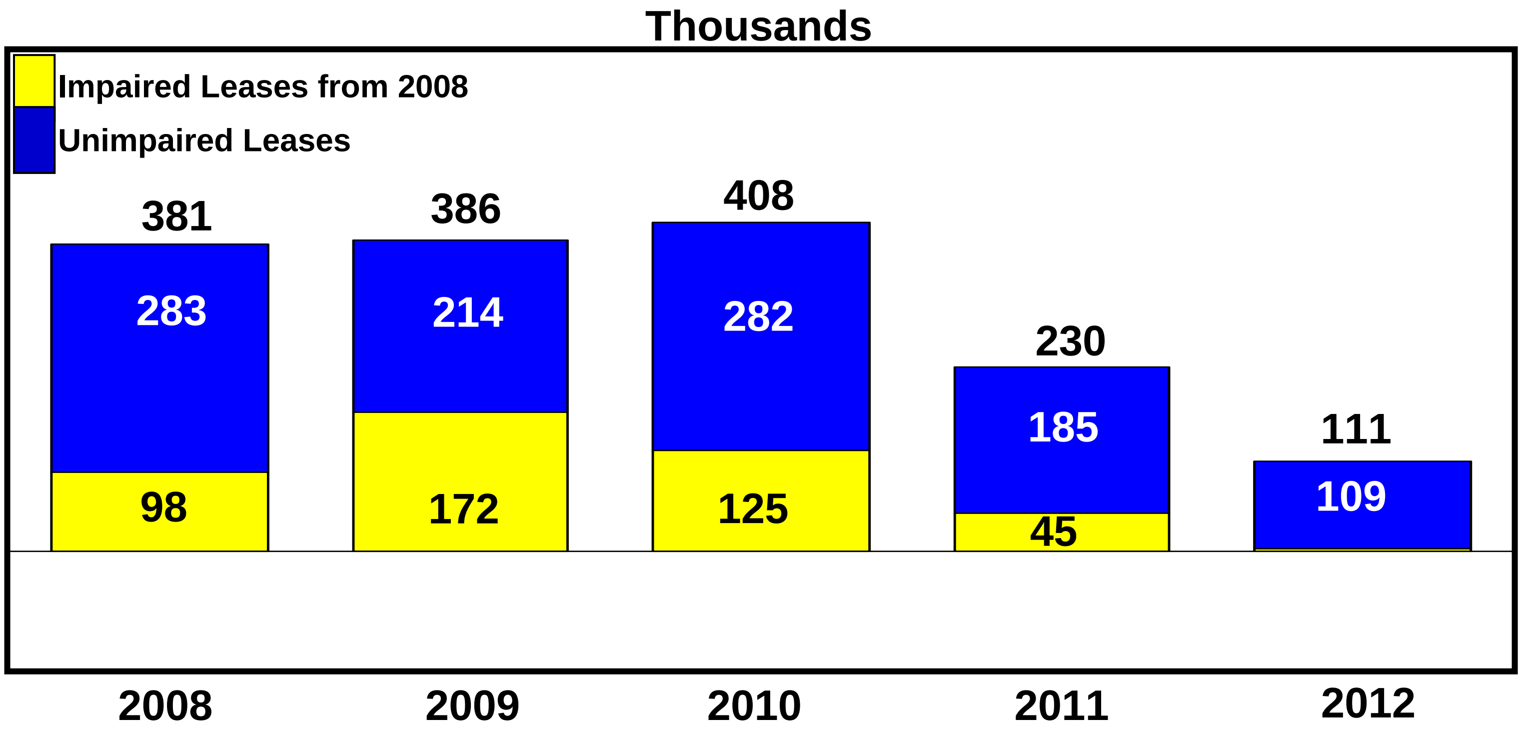
| | | | | | |
|---|---|---|---|---|---|
| 70% | 69% | 71% | 65% | 61% | 61% |

**Memo: Worldwide Net Investment in Operating Leases (Bils.)**

| | | | | | |
|---|---|---|---|---|---|
| $16.3 | $14.6 | $13.3 | $11.6 | $10.5 | $10.0 |

* Includes Mercury

# LEASE TERMINATION VOLUME




**80,000 Fewer Impaired Leases Are Expected To Terminate And Be Sold In 2011 Vs. 2010, Resulting In A Reduction in Profits Of About $400 Million**

# *UNDERSTANDING LEASE RESIDUAL TERMINOLOGY -- INCOME STATEMENT*

## FINANCING MARGIN

Base Depreciation: Reflects scheduled depreciation from the Acquisition Cost to the Contract Lease-End Value. Lease payments net of base depreciation flow through financing margin

## RESIDUAL PERFORMANCE

Supplemental Depreciation (SD): Reflects the increase or decrease in depreciation as a result of changes in the projected actual residual

+

Impairment: Reflects a decrease in the book value of a lease due to accounting guidance

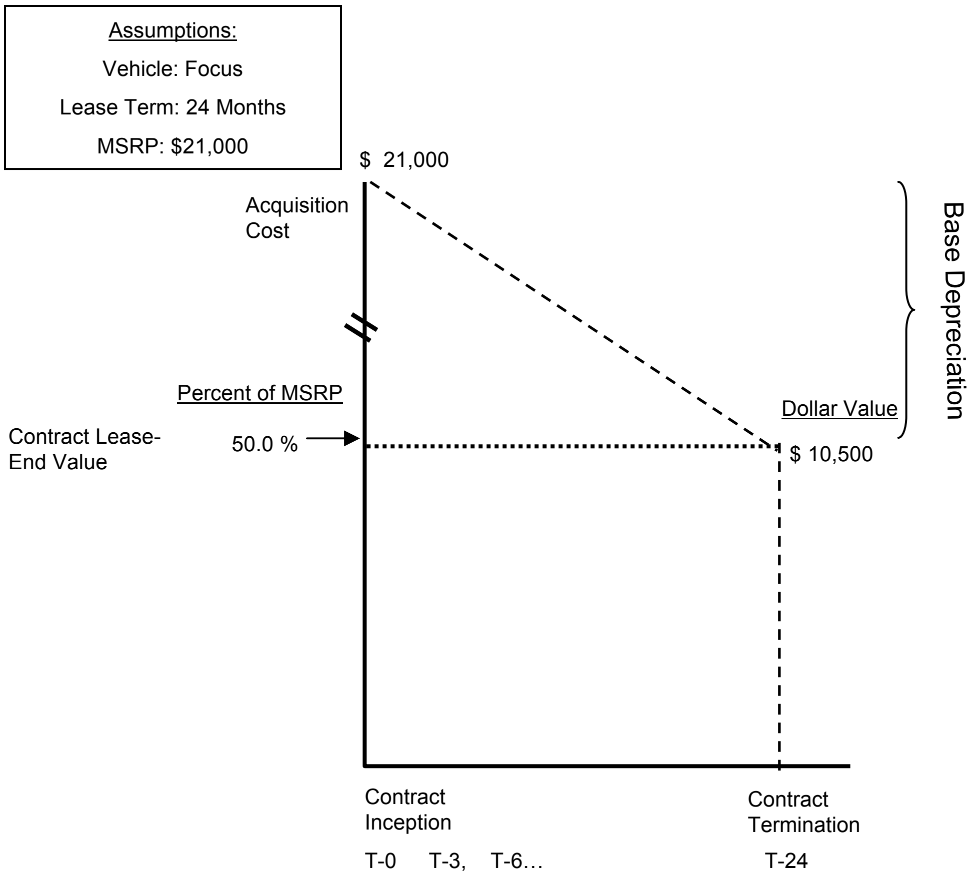
+

Residual Gains / Losses: Reflects the difference between the auction value and the depreciated value (base + SD)

=

Lease Residual: The sum of the change in SD, residual gains or losses for the period, and the effects of any impairments

# *LEASE ACCOUNTING -- BASE DEPRECIATION*




- Depreciation for leases is generally base depreciation and supplemental depreciation. Supplemental depreciation can change based on expectations.
- <u>Base Depreciation</u> reflects scheduled depreciation from the Acquisition Cost to the Contract Lease-End Value and does <u>not</u> change for the life of the contract.
- $437.50 Base Depreciation each month

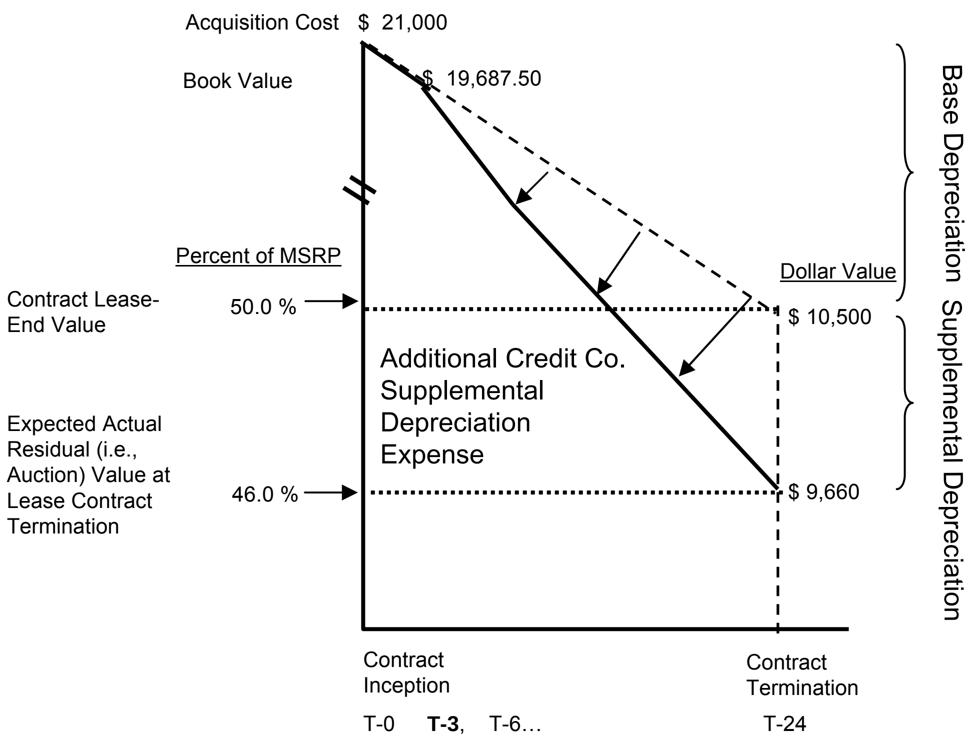
# LEASE ACCOUNTING – SUPPLEMENTAL DEPRECIATION

Assumptions:

Vehicle: Focus

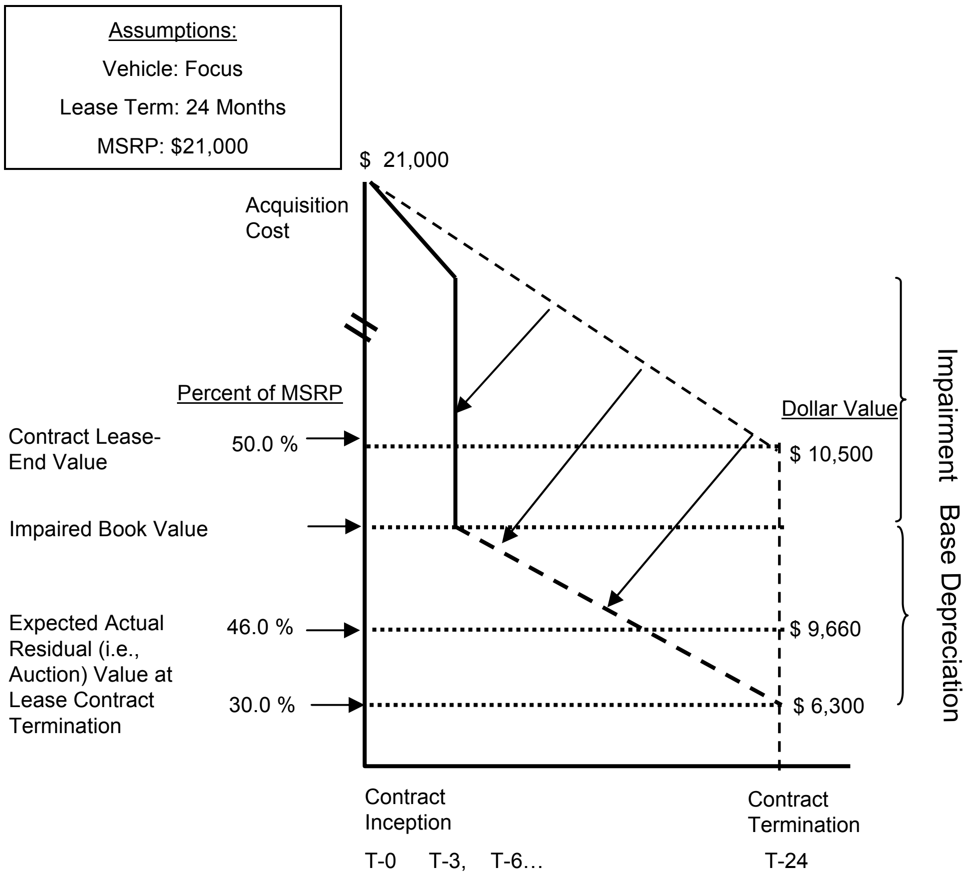
Lease Term: 24 Months

MSRP: $21,000




- Supplemental Depreciation reflects additional depreciation to achieve expected actual residual (i.e., auction) values for the leased vehicles. Assessed quarterly; can never "un-depreciate" above base depreciation.
- Additional depreciation of $40 each month for remaining term (21 months) for a total of $840.

# LEASE ACCOUNTING -- IMPAIRMENT




– Impairment:

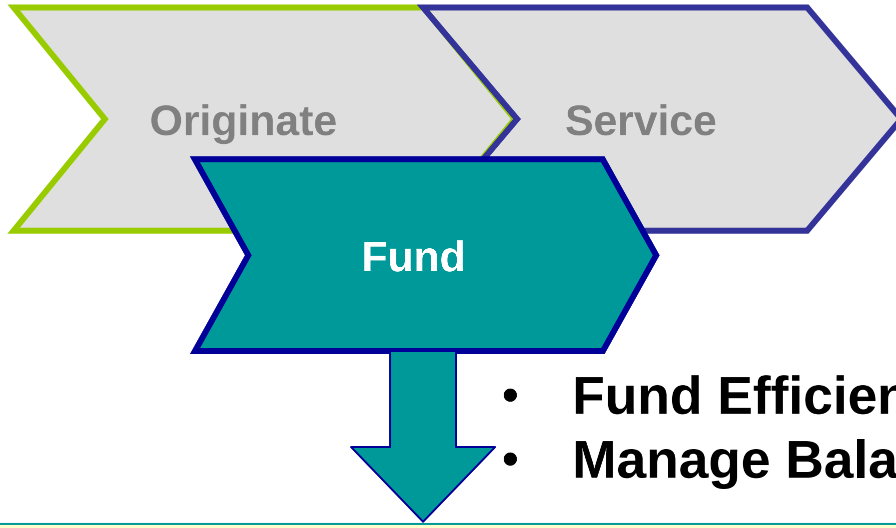
reflects a reduction in the book value of a lease which requires an immediate write down compared to accelerating depreciation.

Despite subsequent auction value improvements, accounting rules require the contracts terminate and the vehicles be sold before the resulting appreciation can be recorded.

# *EFFICIENT FUNDING*

- Buy it Right

- Operate Efficiently
- Collect it Effectively

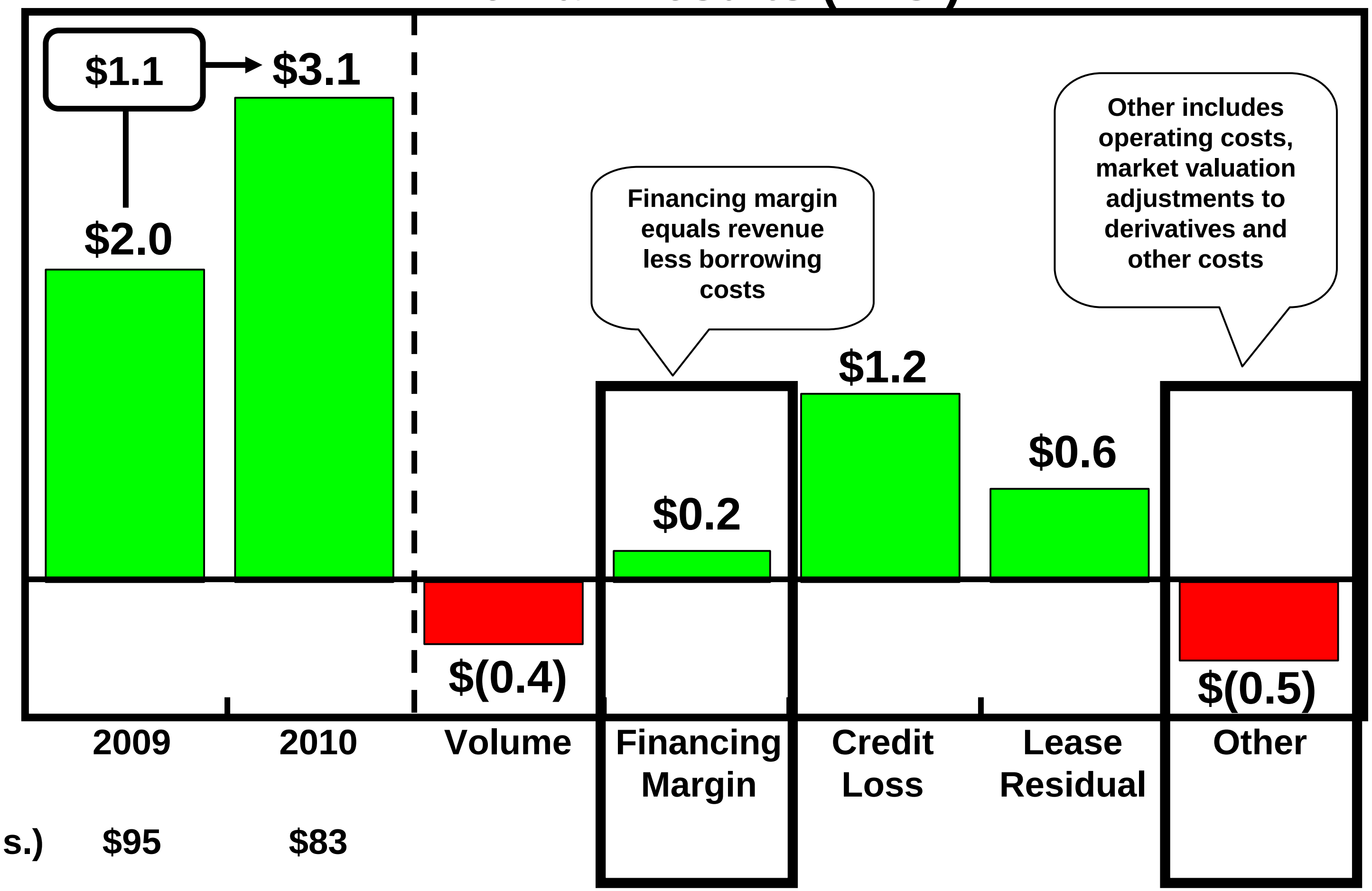



- **Fund Efficiently**
- **Manage Balance Sheet Risk**

- Ford Credit's funding strategy is to maintain liquidity and access to diverse funding sources that are cost effective
- At our present ratings, asset-backed funding programs are cost effective and provide diversity to a broad investor base

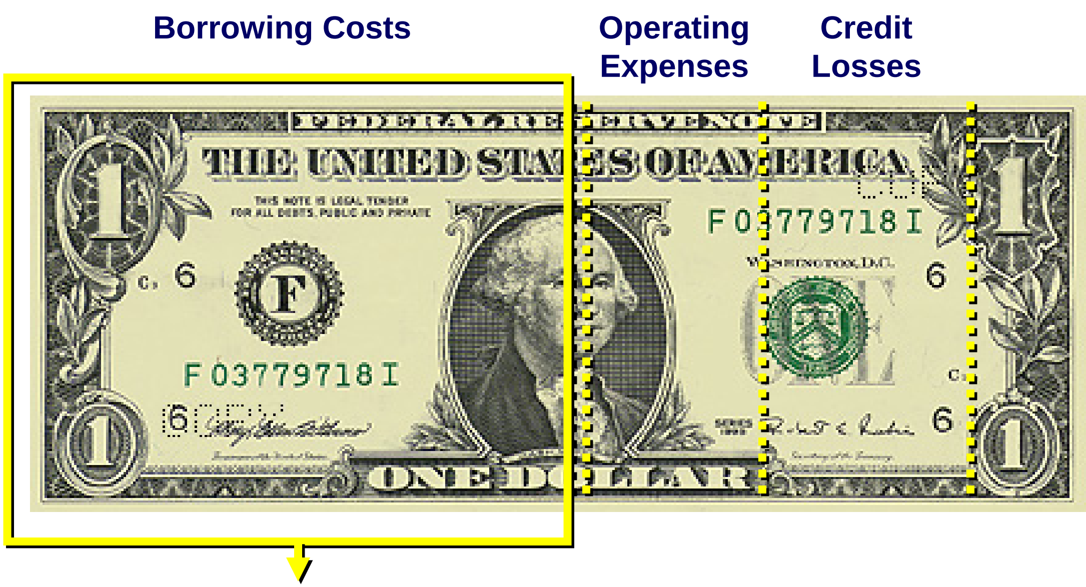
# *2010 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2009*

**Pre-Tax Results (Bils.)**




**Managed Receivables (Bils.)** **$95** **$83**

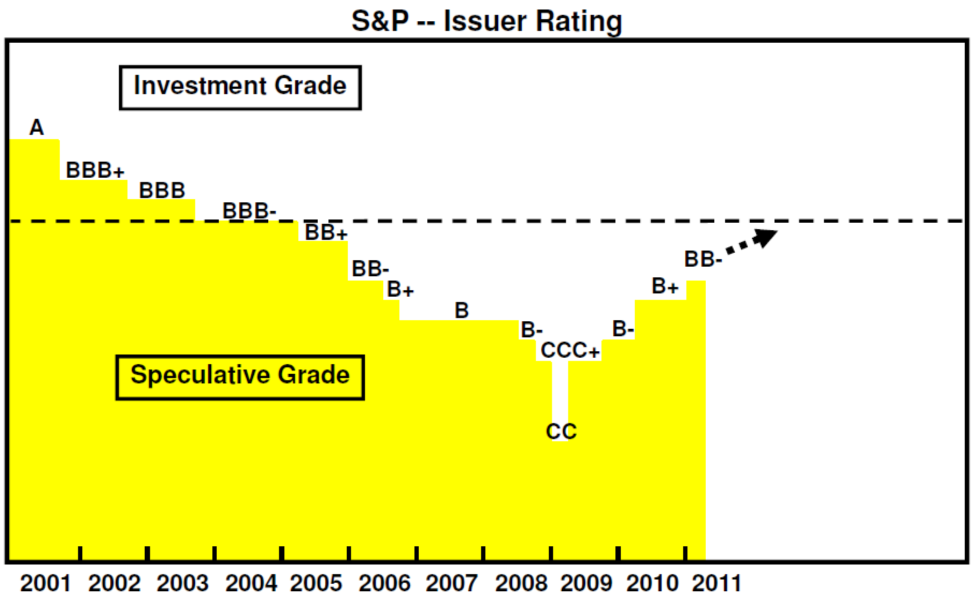
# *KEY COST DRIVERS*

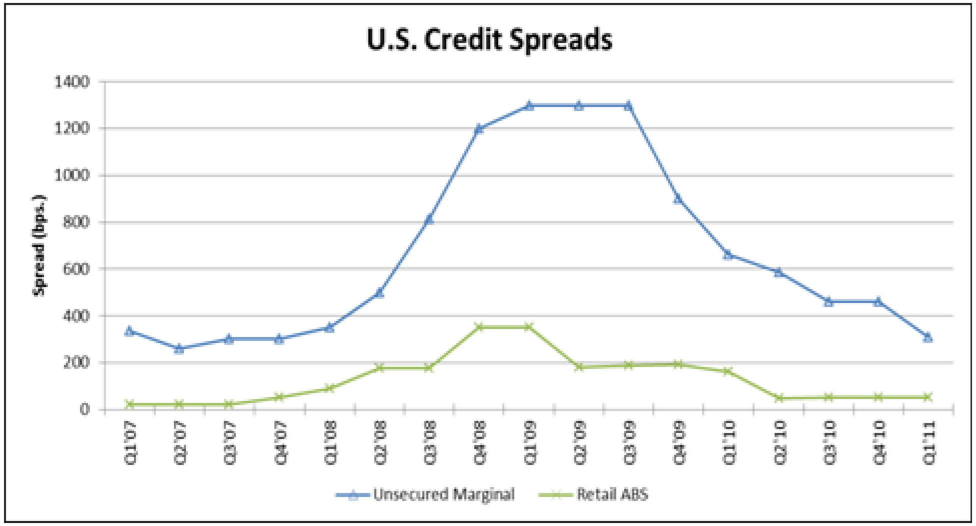



- Borrowing cost is our largest expense
- Borrowed funds are a finance company's "raw material"
- Key factors that drive our borrowing cost are:
  - Credit ratings
  - Funding strategy
  - Market conditions

  Credit spreads

# CORRELATION OF CREDIT RATINGS AND SPREADS

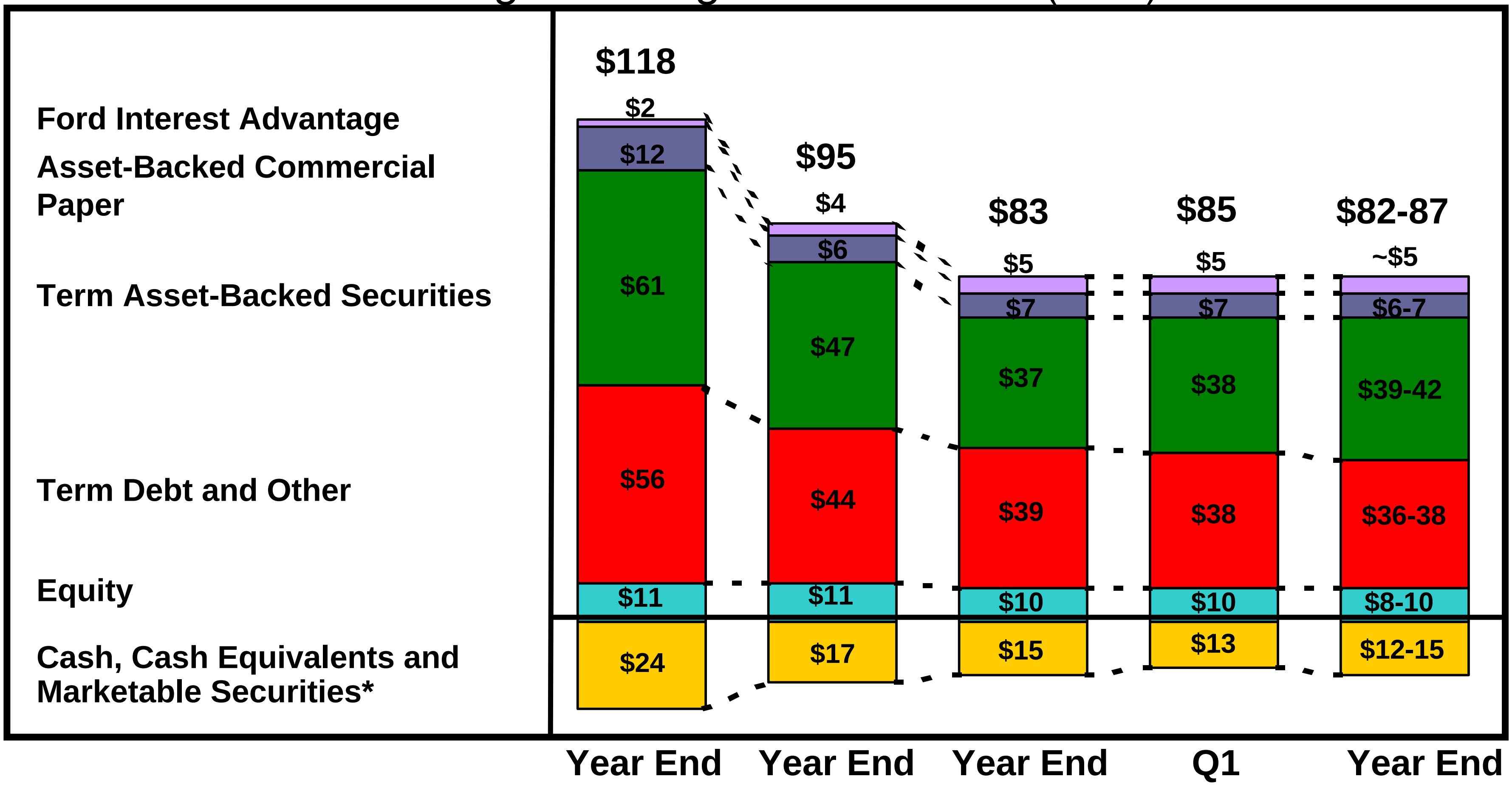



**Credit Spreads Reliant On Credit Rating; Use Of Securitized Funding Mitigates Impact Of Non-Investment Grade Credit Ratings On Funding Costs**

# FUNDING STRATEGY

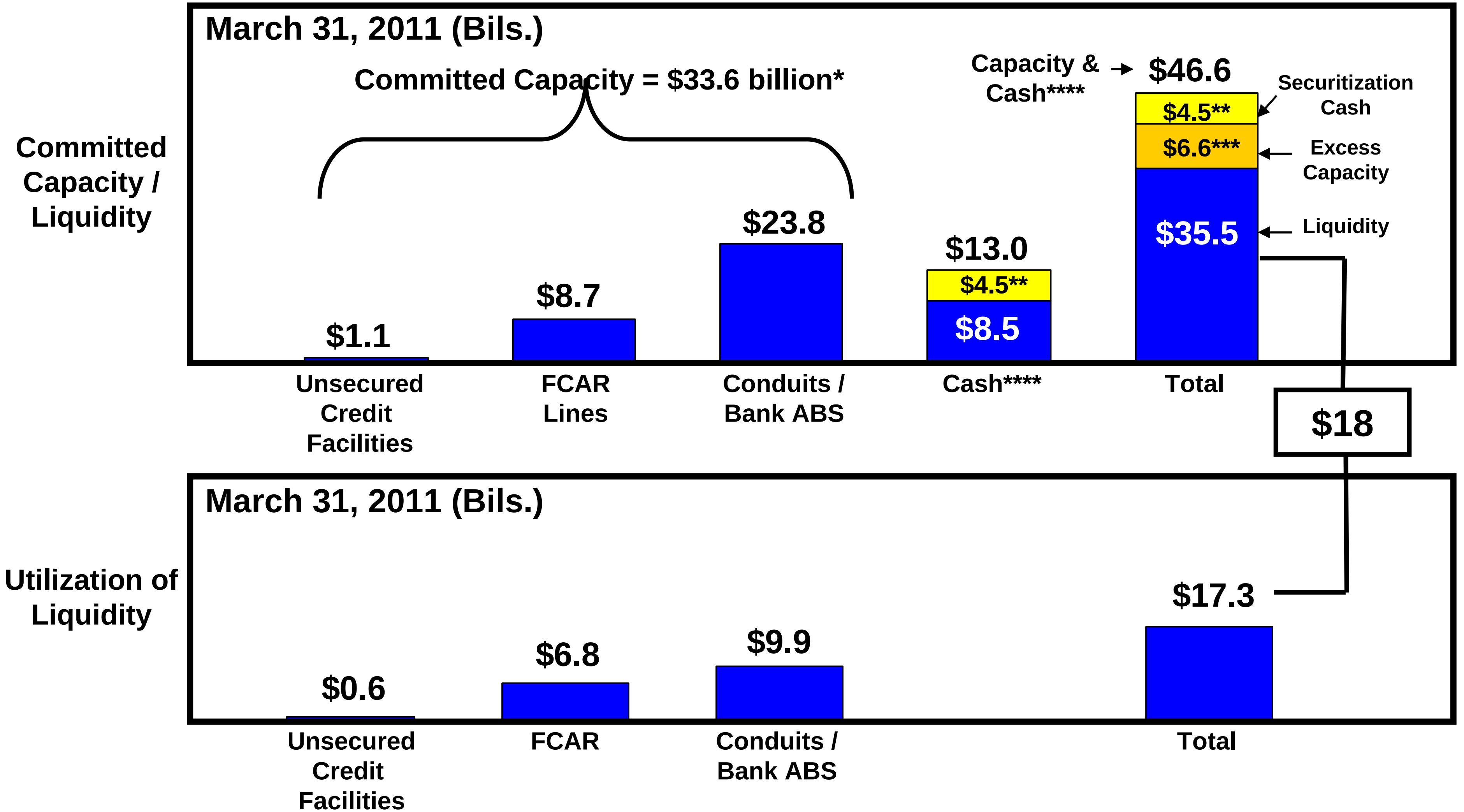
Funding of Managed Receivables (Bils.)




| | Year End 2008 | Year End 2009 | Year End 2010 | Q1 2011 | Year End 2011 Fcst. |
|---|---|---|---|---|---|
| Securitized Funding as Percentage of Managed Receivables | 62% | 56% | 52% | 53% | 53 – 57% |

* Excludes marketable securities related to insurance activities

# LIQUIDITY PROGRAMS




**Liquidity Available For Use Is About $18 Billion**

* FCAR and Conduits subject to availability of sufficient assets and ability to obtain derivatives to manage interest rate risk; FCAR commercial paper must be supported by bank lines equal to at least 100% of the principal amount; conduits includes other committed securitization programs.

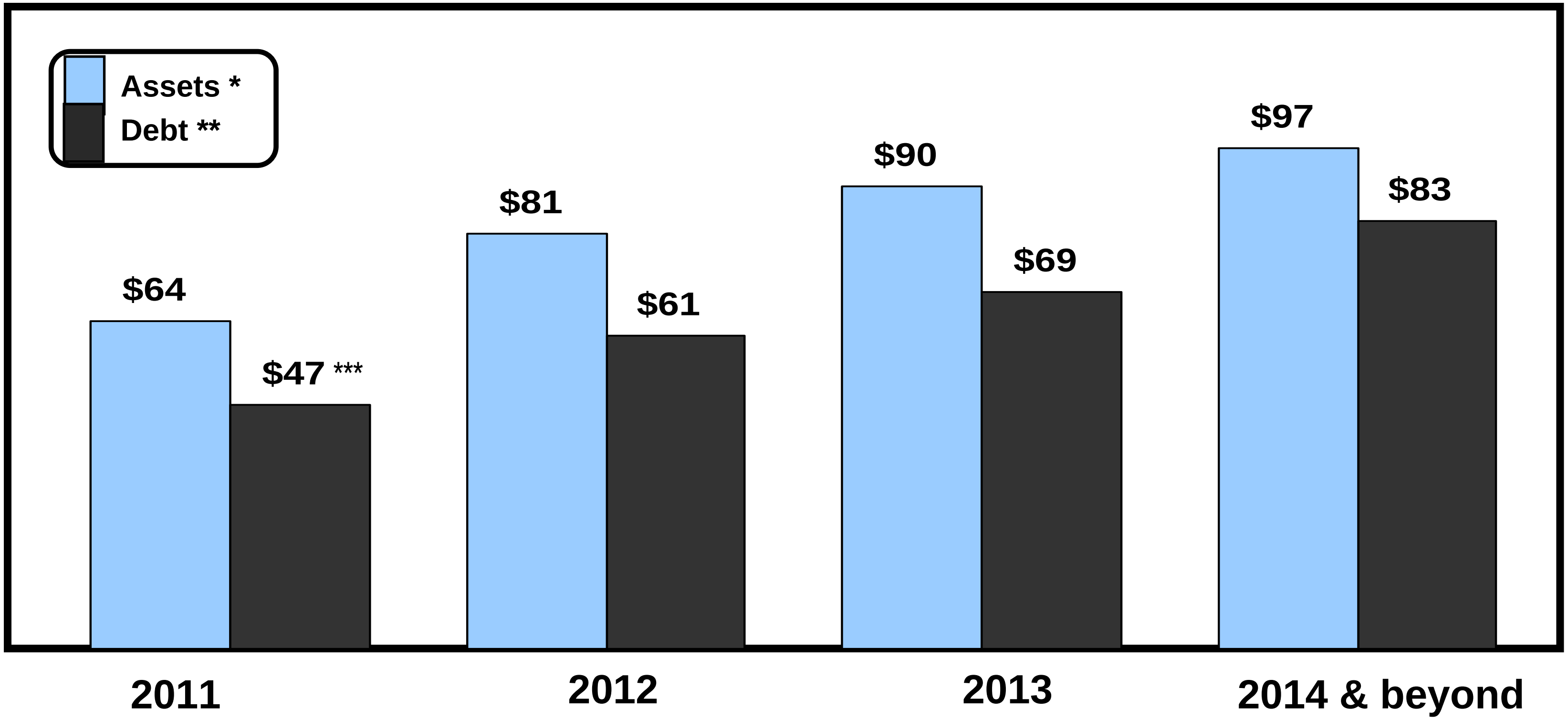
** Securitization cash is to be used only to support on-balance sheet securitization transactions

*** Excess capacity is capacity in excess of eligible receivables

**** Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities)

# LIQUIDITY PROFILE OF FORD CREDIT'S BALANCE SHEET

## Cumulative Maturities -- As of December 31, 2010 (Bils.)




**Memo: Unsecured Long-term debt maturities (Bils.)**

| 2011 | 2012 | 2013 | 2014 & beyond |
|---|---|---|---|
| $9.1 | $6.8 | $5.3 | $12.7 |

* Includes finance receivables net of unearned income, and investment in operating leases net of accumulated depreciation; cash and cash equivalents, marketable securities (excludes marketable securities related to insurance activities).

** Retail and lease ABS are treated as amortizing on January 1, 2011 to match the underlying assets.

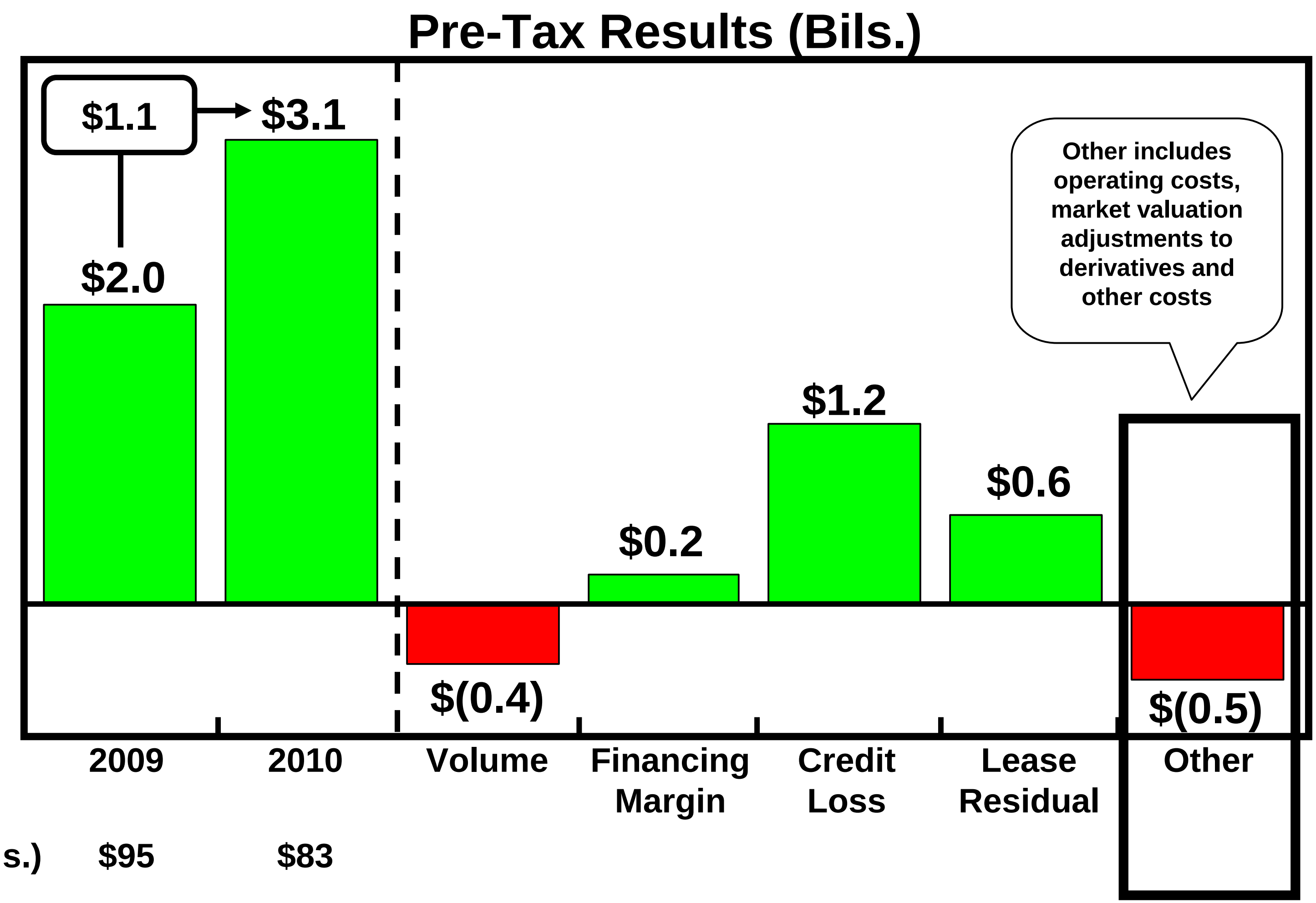
*** Includes all of the wholesale ABS term and conduit maturities of $7.1 billion that otherwise contractually extend to 2012 and beyond.

# TERM FUNDING PLAN

| | 2008 Actual (Bils.) | 2009 Actual (Bils.) | 2010 Actual (Bils.) | 2011 Forecast (Bils.) | 2011 YTD Actual* (Bils.) |
|---|---|---|---|---|---|
| **Public Transactions** | | | | | |
| Unsecured | $ 2 | $ 5 | $ 6 | $ 7 - 9 | $ 4 |
| Securitizations** | 11 | 15 | 11 | 11 – 14 | 6 |
| **Total Public** | $ 13 | $ 20 | $ 17 | $ 18 – 22 | $ 10 |
| **Private Transactions***** | $ 29 | $ 11 | $ 8 | $ 8 – 11 | $ 5 |

* YTD Actual through June 16, 2011
** Includes Ford Upgrade Exchange Linked (FUEL) Notes issuance in 2011
*** Includes private term debt, securitizations, other structured financings, and other term funding; excludes sales to Ford Credit's on-balance sheet asset-backed commercial paper program (FCAR)

# *2010 FULL YEAR PRE-TAX RESULTS COMPARED WITH 2009*




| Managed Receivables (Bils.) | $95 | $83 |
|---|---|---|

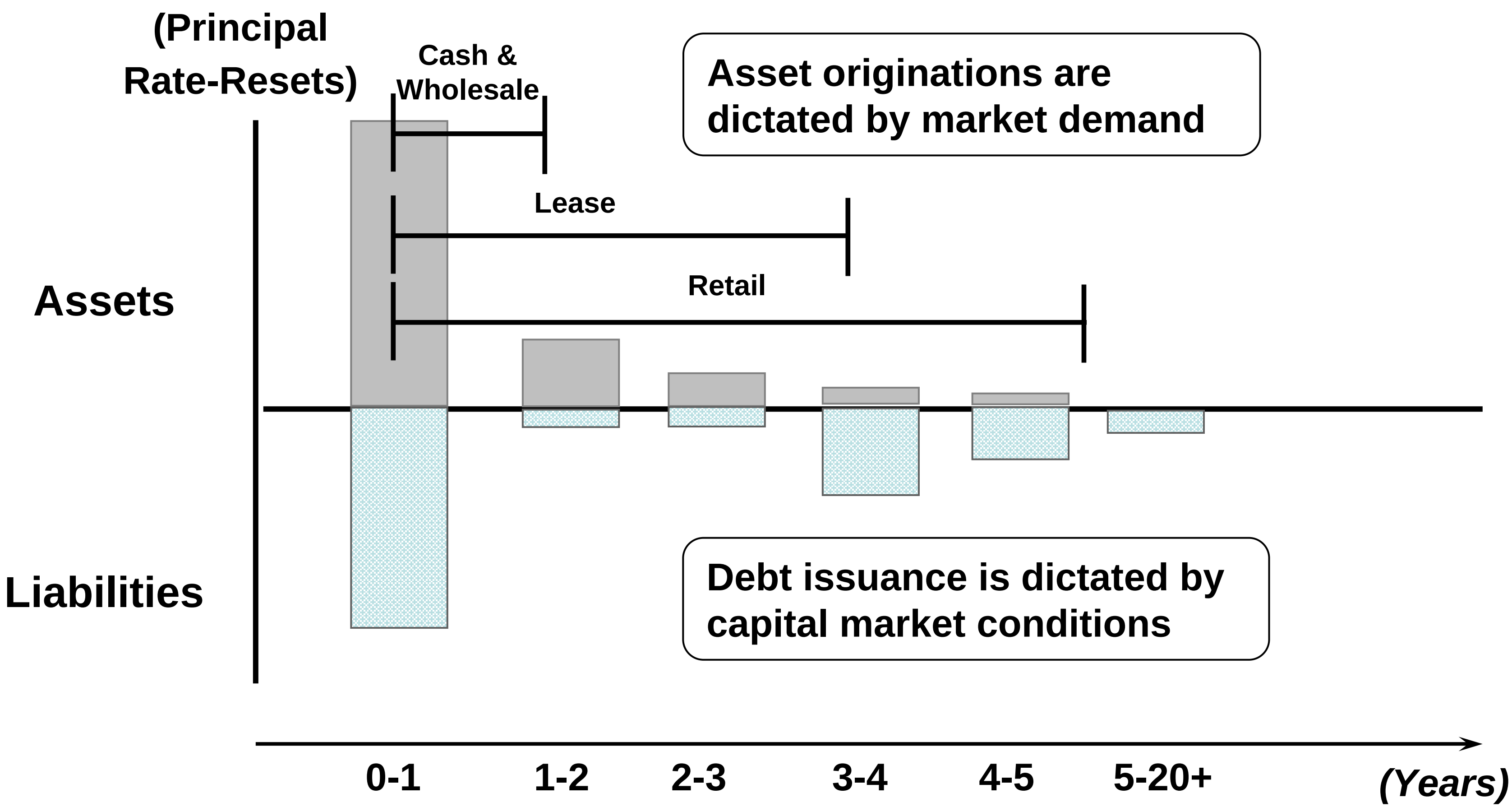
# *INTERKEST RATE RISK*

- **The average term of Ford Credit's debt is generally longer than the average term of its assets -- a strategic decision to provide liquidity**

- **Interest rate risk is created when re-pricing characteristics of debt do not match re-pricing characteristics of assets**

- **Interest rate swaps are used to limit impact of changes in interest rates**
  - **Swaps convert fixed rate debt to floating rate or vice versa to synthetically match re-pricing characteristics of debt with assets without sacrificing liquidity**

# DRIVERS OF INTEREST RATE RISK -- ASSET LIABILITY MISMATCH



# *BUILDING FOR THE FUTURE*

- **Continue to diversify funding and liquidity sources, broaden investor base and optimize costs**
  - **FUEL Notes**
  - **Retail Notes**

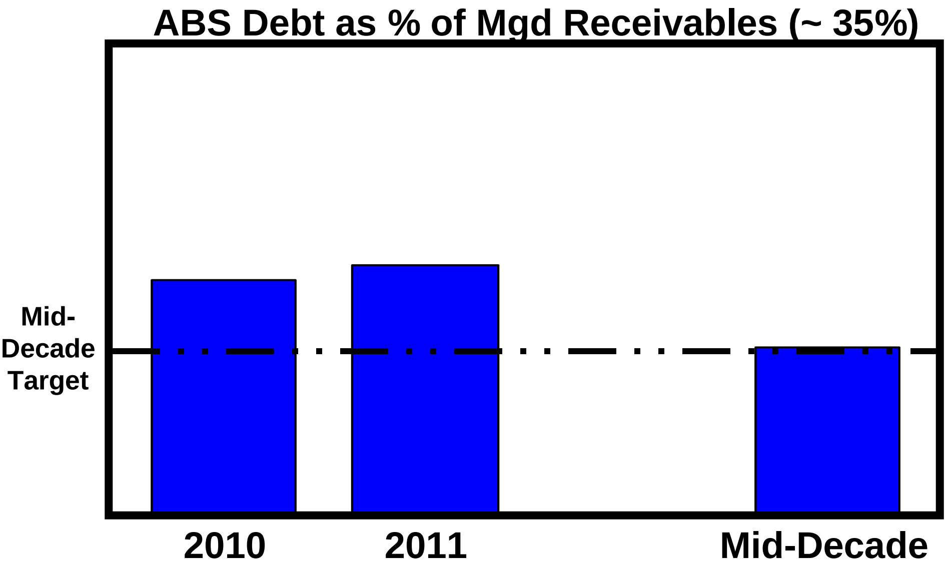
- **Grow in line with higher industry and higher Ford and Lincoln business**

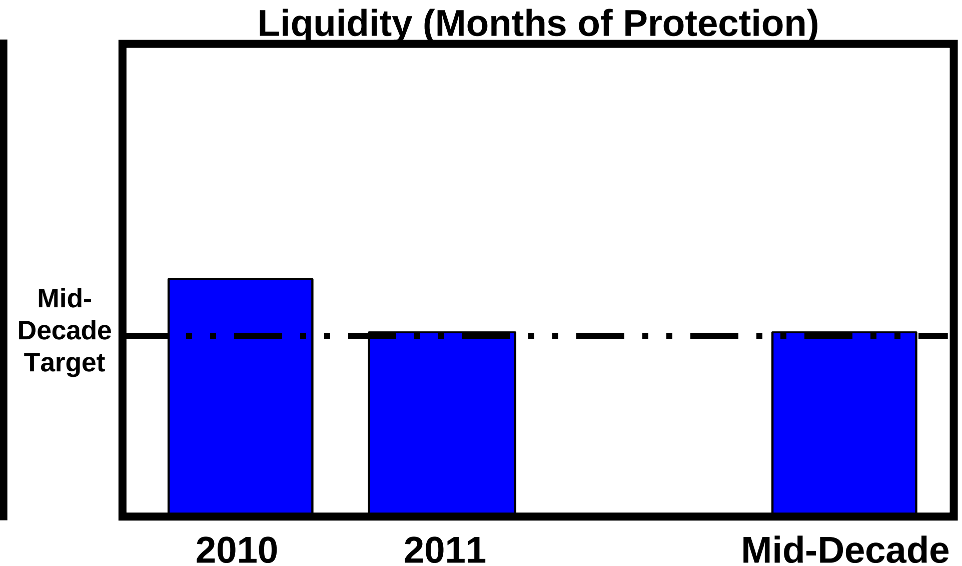
- **Support Ford’s target growth markets – Brazil, Russia, India, China**

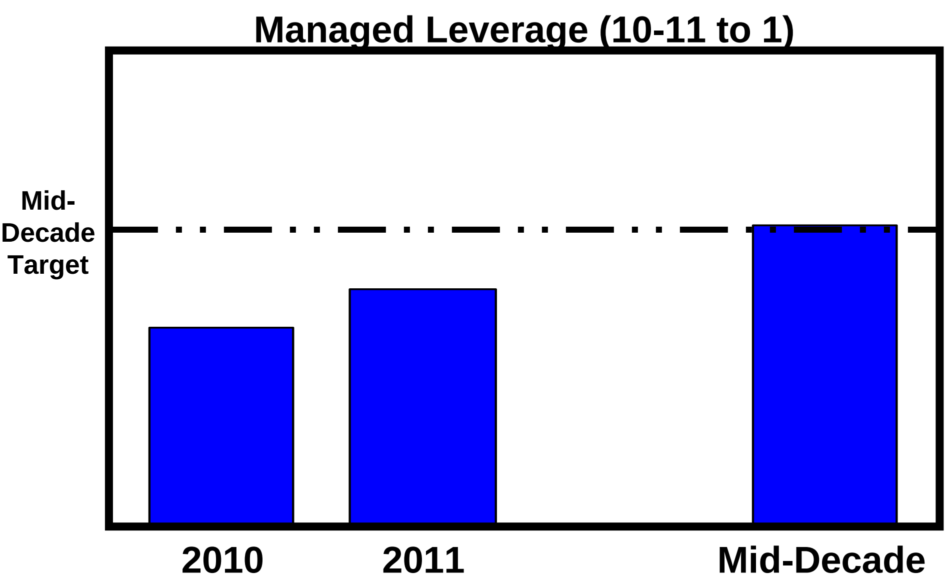
- **Leverage our unique assets**
  - **Business systems and processes are scalable**
  - **Global operations, expertise and experience**
  - **Synergies with Ford**

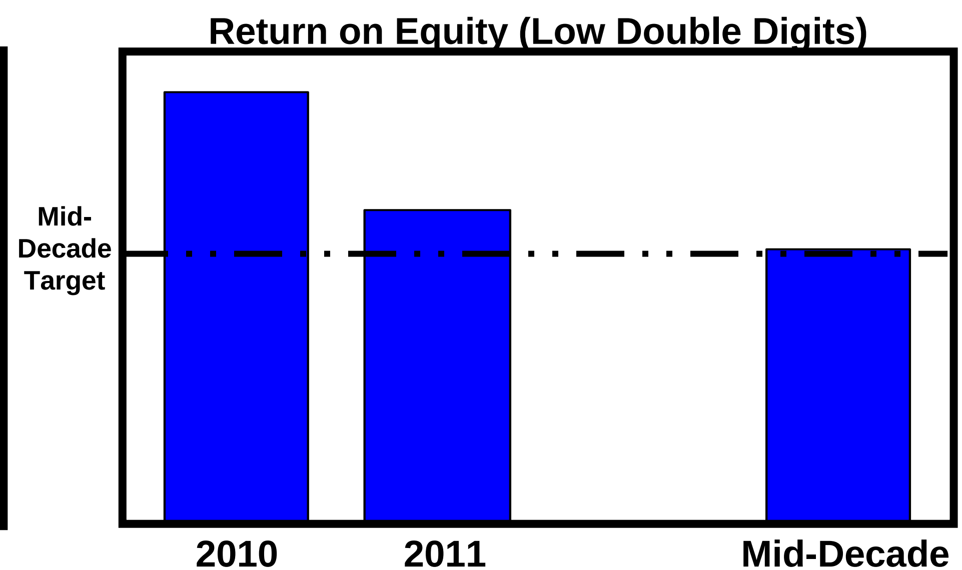
**Profitable support for Ford growth: One Team, One Plan, One Goal**

# *MID-DECADE KEY FINANCIAL METRICS*



# SAFE HARBOR

Statements included or incorporated by reference herein may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on expectations, forecasts, and assumptions by our management and involve a number of risks, uncertainties, and other factors that could cause actual results to differ materially from those stated, including, without limitation:

Automotive Related:
- Decline in industry sales volume, particularly in the United States or Europe, due to financial crisis, recession, geo-political events or other factors;
- Decline in Ford's market share or failure to achieve growth;
- Lower-than-anticipated market acceptance of new or existing Ford products;
- An increase in or acceleration of market shift beyond Ford's current planning assumptions from sales of trucks, medium- and large-sized utilities, or other more profitable vehicles, particularly in the United States;
- An increase in fuel prices, continued volatility of fuel prices, or reduced availability of fuel;
- Continued or increased price competition resulting from industry overcapacity, currency fluctuations or other factors;
- Adverse effects from the bankruptcy, insolvency, or government-funded restructuring of, change in ownership or control of, or alliances entered into by a major competitor;
- Economic distress of suppliers may require Ford to provide substantial financial support or take other measures to ensure supplies of components or materials and could increase Ford's costs, affect Ford's liquidity, or cause production constraints or disruptions;
- Work stoppages at Ford or supplier facilities or other interruptions of production;
- Single-source supply of components or materials;
- Restriction on use of tax attributes from tax law "ownership change";
- The discovery of defects in Ford vehicles resulting in delays in new model launches, recall campaigns, reputational damage or increased warranty costs;
- Increased safety, emissions, fuel economy or other regulation resulting in higher costs, cash expenditures and/or sales restrictions;
- Unusual or significant litigation, governmental investigations or adverse publicity arising out of alleged defects in Ford products, perceived environmental impacts, or otherwise;
- A change in Ford's requirements for parts where it has entered into long-term supply arrangements that commit it to purchase minimum or fixed quantities of certain parts, or to pay a minimum amount to the seller ("take-or-pay contracts");
- Adverse effects on Ford's results from a decrease in or cessation or clawback of government incentives related to capital investments;
- Adverse effects on Ford's operations resulting from certain geo-political or other events;
- Substantial levels of indebtedness adversely affecting Ford's financial condition or preventing Ford from fulfilling its debt obligations;

Ford Credit Related:
- A prolonged disruption of the debt and securitization markets;
- Inability to access debt, securitization or derivative markets around the world at competitive rates or in sufficient amounts due to credit rating downgrades, market volatility, market disruption, regulatory requirements or other factors;
- Higher-than-expected credit losses;
- Increased competition from banks or other financial institutions seeking to increase their share of financing Ford vehicles;
- Collection and servicing problems related to our finance receivables and net investment in operating leases;
- Lower-than-anticipated residual values or higher-than-expected return volumes for leased vehicles;
- New or increased credit, consumer or data protection or other laws and regulations resulting in higher costs and/or additional financing restrictions;
- Imposition of additional costs or restrictions due to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") and its implementing rules and regulations;
- Changes in Ford's operations or changes in Ford's marketing programs could result in a decline in our financing volumes;
- Inability to obtain competitive funding;

General:
- Fluctuations in foreign currency exchange rates and interest rates;
- Failure of financial institutions to fulfill commitments under committed credit and liquidity facilities;
- Labor or other constraints on Ford's or our ability to maintain competitive cost structure;
- Substantial pension and postretirement healthcare and life insurance liabilities impairing Ford's or our liquidity or financial condition;
- Worse-than-assumed economic and demographic experience for postretirement benefit plans (e.g., discount rates or investment returns); and
- Inherent limitations of internal controls impacting financing statements and safeguarding of assets.

We cannot be certain that any expectations, forecasts or assumptions made by management in preparing these forward-looking statements will prove accurate, or that any projections will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. For additional discussion of these risk factors, see Item 1A of Part I of Ford's 2010 10-K Report and Item 1A of Part I of Ford Credit's 2010 10-K Report.

# Appendix

# *KEY METRIC DEFINITIONS*

**In evaluating Ford Credit's financial performance, Ford Credit management uses financial measures based on GAAP, as well as financial measures that include adjustments from GAAP; these measures are defined below. Information about the impact of on-balance sheet securitization is also included below:**

**Managed Receivables -- receivables reported on Ford Credit's balance sheet, excluding unearned interest supplements related to finance receivables**

**Charge-offs -- charge-offs associated with receivables reported on Ford Credit's balance sheet**

**Equity -- shareholder's interest reported on Ford Credit's balance sheet**

**Impact of On-Balance Sheet Securitization -- finance receivables (retail and wholesale) and net investment in operating leases reported on Ford Credit's balance sheet include assets that have been sold for legal purposes in securitization transactions that do not satisfy the requirements for accounting sale treatment. These receivables are available only for payment of the debt and other obligations issued or arising in the securitization transactions; they are not available to pay the other obligations of Ford Credit or the claims of Ford Credit's other creditors. Debt reported on Ford Credit's balance sheet includes obligations issued or arising in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements. Ford Credit holds the right to the excess cash flows not needed to pay the debt and other obligations issued or arising in each of these securitization transactions**