
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2011
OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-6368

Ford Motor Credit Company LLC
(Exact name of registrant as specified in its charter)

Delaware
(State of organization)
One American Road, Dearborn, Michigan
(Address of principal executive offices)

38-1612444
(I.R.S. employer identification no.)
48126
(Zip code)

Registrant's telephone number, including area code (313) 322-3000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

All of the limited liability company interests in the registrant ("Shares") are held by an affiliate of the registrant. None of the Shares are publicly traded.

REDUCED DISCLOSURE FORMAT

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form with the reduced disclosure format.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF OPERATIONS
For the Periods Ended September 30, 2011 and 2010
(in millions)

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
Financing revenue				
Operating leases	\$ 591	\$ 741	\$ 1,861	\$ 2,593
Retail	513	561	1,563	1,778
Interest supplements and other support costs earned from affiliated companies	692	789	2,129	2,514
Wholesale	245	220	710	661
Other	12	15	40	47
Total financing revenue	2,053	2,326	6,303	7,593
Depreciation on vehicles subject to operating leases	(464)	(404)	(1,236)	(1,520)
Interest expense	(888)	(1,025)	(2,676)	(3,238)
Net financing margin	701	897	2,391	2,835
Other revenue				
Insurance premiums earned, net	31	25	77	75
Other income, net (Note 12)	122	75	206	210
Total financing margin and other revenue	854	997	2,674	3,120
Expenses				
Operating expenses	264	271	806	851
Provision for credit losses (Note 4)	(20)	(53)	(109)	(255)
Insurance expenses	29	13	79	42
Total expenses	273	231	776	638
Income/(loss) before income taxes	581	766	1,898	2,482
Provision for income taxes (Note 1)	231	269	714	901
Net income/(loss)	\$ 350	\$ 497	\$ 1,184	\$ 1,581

The accompanying notes are an integral part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET
(in millions)

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 8,153	\$ 8,347
Marketable securities	4,246	6,759
Finance receivables, net (Note 2)	69,716	71,302
Net investment in operating leases (Note 3)	10,404	9,956
Notes and accounts receivable from affiliated companies	1,090	1,095
Derivative financial instruments (Note 11)	1,723	1,246
Other assets (Note 7)	2,151	2,991
Total assets	<u>\$ 97,483</u>	<u>\$ 101,696</u>
LIABILITIES AND SHAREHOLDER'S INTEREST		
Liabilities		
Accounts payable		
Customer deposits, dealer reserves and other	\$ 990	\$ 1,272
Affiliated companies	894	884
Total accounts payable	<u>1,884</u>	<u>2,156</u>
Debt (Note 8)	80,613	82,879
Deferred income taxes	1,586	1,494
Derivative financial instruments (Note 11)	305	534
Other liabilities and deferred income (Note 7)	4,371	4,311
Total liabilities	<u>88,759</u>	<u>91,374</u>
Shareholder's interest		
Shareholder's interest	5,274	5,274
Accumulated other comprehensive income/(loss)	739	821
Retained earnings (Note 9)	2,711	4,227
Total shareholder's interest	<u>8,724</u>	<u>10,322</u>
Total liabilities and shareholder's interest	<u>\$ 97,483</u>	<u>\$ 101,696</u>

The following table includes assets to be used to settle the liabilities of the consolidated variable interest entities ("VIEs"). These assets and liabilities are included in the consolidated balance sheet above. See Notes 5 and 6 for additional information on our VIEs:

	September 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 3,411	\$ 4,031
Finance receivables, net	48,252	50,001
Net investment in operating leases	4,712	6,121
Derivative financial instruments	169	26
LIABILITIES		
Debt	\$ 38,979	\$ 40,247
Derivative financial instruments	94	222

The accompanying notes are an integral part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Periods Ended September 30, 2011 and 2010

(in millions)

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
Net income/(loss)	\$ 350	\$ 497	\$ 1,184	\$ 1,581
Other comprehensive income/(loss):				
Foreign currency translation (net of tax of \$0) (a)	(514)	413	(82)	(253)
Comprehensive income/(loss)	\$ (164)	\$ 910	\$ 1,102	\$ 1,328

- (a) We recorded a \$100 million and a \$125 million out-of-period adjustment during the third quarter and the first nine months of 2010, respectively, which decreased *Accumulated other comprehensive income* (foreign currency translation) and increased *Shareholder's interest*. This adjustment did not impact our *Total shareholder's interest* on our balance sheet. The impact on previously issued annual and interim financial statements was not material.

The accompanying notes are an integral part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the Periods Ended September 30, 2011 and 2010
(in millions)

	First Nine Months	
	2011	2010
Cash flows from operating activities		
Net income/(loss)	\$ 1,184	\$ 1,581
Adjustments to reconcile net income/(loss) to net cash provided by operations		
Provision for credit losses	(109)	(255)
Depreciation and amortization	1,601	1,813
Amortization of upfront interest supplements	(1,303)	(1,347)
Net change in deferred income taxes	219	(23)
Net change in other assets	948	1,608
Net change in other liabilities	959	431
All other operating activities	(289)	(267)
Net cash provided by/(used in) operating activities	<u>3,210</u>	<u>3,541</u>
Cash flows from investing activities		
Purchases of finance receivables (other than wholesale)	(19,394)	(17,195)
Collections of finance receivables (other than wholesale)	20,771	21,984
Purchases of operating lease vehicles	(5,873)	(3,790)
Liquidations of operating lease vehicles	4,143	6,493
Net change in wholesale receivables	(62)	747
Net change in notes receivable from affiliated companies	(142)	(29)
Purchases of marketable securities	(22,104)	(38,026)
Proceeds from sales and maturities of marketable securities	24,610	33,415
Settlements of derivatives	(90)	42
All other investing activities	149	23
Net cash provided by/(used in) investing activities	<u>2,008</u>	<u>3,664</u>
Cash flows from financing activities		
Proceeds from issuances of long-term debt	23,028	23,399
Principal payments on long-term debt	(27,584)	(30,115)
Change in short-term debt, net	1,836	(814)
Cash distributions to parent	(2,700)	(1,500)
All other financing activities	(49)	(165)
Net cash provided by/(used in) financing activities	<u>(5,469)</u>	<u>(9,195)</u>
Effect of exchange rate changes on cash and cash equivalents	57	(129)
Net increase/(decrease) in cash and cash equivalents	<u>(194)</u>	<u>(2,119)</u>
Cash and cash equivalents, beginning of period	<u>\$ 8,347</u>	<u>\$ 10,882</u>
Net increase/(decrease) in cash and cash equivalents	<u>(194)</u>	<u>(2,119)</u>
Cash and cash equivalents, end of period	<u>\$ 8,153</u>	<u>\$ 8,763</u>

The accompanying notes are an integral part of the financial statements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information, and instructions to the Quarterly Report on Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, these unaudited financial statements include all adjustments considered necessary for a fair statement of the results of operations and financial condition for interim periods for Ford Motor Credit Company LLC, its consolidated subsidiaries and consolidated VIEs in which Ford Motor Credit Company LLC is the primary beneficiary (collectively referred to herein as "Ford Credit", "we", "our" or "us"). Results for interim periods should not be considered indicative of results for any other interim period or for the full year. Reference should be made to the financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2010. We are an indirect, wholly owned subsidiary of Ford Motor Company ("Ford").

We reclassified certain prior year amounts in our consolidated financial statements to conform to current year presentation.

Provision for Income Taxes

The provision for income taxes is computed by applying our estimated annual effective tax rate to year-to-date income before taxes.

Accounting Standards Issued But Not Yet Adopted

Insurance. In October 2010, the Financial Accounting Standards Board ("FASB") issued a new standard addressing the deferral of acquisition costs within the insurance industry. The new standard modifies which types of costs can be capitalized in the acquisition and renewal of insurance contracts. The standard is effective for us as of January 1, 2012. We do not expect this standard to have a material impact on our financial condition, results of operations, or financial statement disclosures.

Transfers and Servicing - Repurchase Agreements. In April 2011, the FASB issued a new standard for agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The standard is effective for us as of January 1, 2012. We do not expect this standard to have a material impact on our financial condition, results of operations, or financial statement disclosures.

Fair Value Measurement. In May 2011, the FASB issued a new standard that provides a consistent definition of fair value measurement and closely aligns disclosure requirements between GAAP and International Financial Reporting Standards. The new standard will require us to report the level in the fair value hierarchy of assets and liabilities not measured at fair value in the balance sheet but for which the fair value is disclosed, and to expand existing disclosures. The standard is effective for us as of January 1, 2012. We do not expect this standard to have a material impact on our financial condition or results of operations.

Comprehensive Income - Presentation. In June 2011, the FASB issued a new standard that modifies the options for presentation of other comprehensive income. The new standard will require us to present comprehensive income either on a single continuous statement or two separate but consecutive statements. The standard is effective for us as of January 1, 2012. We do not expect this standard to have a material impact on our financial condition or results of operations.

Intangibles - Goodwill and Other. In September 2011, the FASB issued a new standard that provides the option to evaluate prescribed qualitative factors to determine whether a calculated goodwill impairment test is necessary. The standard is effective for us as of January 1, 2012. We do not expect this standard to have a material impact on our financial condition, results of operations, or financial statement disclosures.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES

We segment our North America and International portfolio of finance receivables into "consumer" and "non-consumer" receivables. The receivables are secured by the vehicles, inventory, or other property being financed.

Consumer Segment. Receivables in this portfolio segment relate to products offered to individuals and businesses that finance the acquisition of Ford vehicles from dealers for personal and commercial use. The products include:

- Retail financing – retail installment contracts for new and used vehicles
- Direct financing leases – direct financing leases with retail customers, government entities, daily rental companies, and fleet customers

Non-Consumer Segment. Receivables in this portfolio segment relate to products offered to automotive dealers and purchased receivables. The products include:

- Wholesale financing – loans to dealers to finance the purchase of vehicle inventory, also known as floorplan financing
- Dealer loans – loans to dealers to finance working capital, and to finance the purchase of dealership real estate and/or make improvements to dealership facilities
- Other financing – purchased receivables from Ford and its affiliates, primarily related to the sale of parts and accessories to dealers

Notes and accounts receivable from affiliated companies are presented separately on the balance sheet. These receivables are based on intercompany relationships and the balances are settled regularly. We do not assess these receivables for potential credit losses, nor are they subjected to aging analysis, credit quality reviews, or other formal assessments. As a result, *Notes and accounts receivable from affiliated companies* are not subject to the following disclosures contained herein.

Adoption of New Accounting Standard

Troubled Debt Restructurings. On July 1, 2011, we adopted the new accounting standard related to a creditor's determination of whether a restructuring is a troubled debt restructuring ("TDR"). The new standard provides additional guidance as to whether a restructuring meets the criteria to be considered a TDR.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

Finance Receivables, Net

Finance receivables, net were as follows (in millions):

	September 30, 2011			December 31, 2010		
	North America	International	Total Finance Receivables	North America	International	Total Finance Receivables
Consumer						
Retail, gross	\$ 38,179	\$ 8,567	\$ 46,746	\$ 39,129	\$ 9,124	\$ 48,253
Less: Unearned interest supplements (a)	(1,482)	(248)	(1,730)	(1,580)	(285)	(1,865)
Retail	36,697	8,319	45,016	37,549	8,839	46,388
Direct financing leases, gross	4	1,098	1,102	17	1,449	1,466
Less: Unearned interest supplements (a)	—	(19)	(19)	—	(16)	(16)
Direct financing leases	4	1,079	1,083	17	1,433	1,450
Consumer finance receivables (b)	\$ 36,701	\$ 9,398	\$ 46,099	\$ 37,566	\$ 10,272	\$ 47,838
Non-Consumer						
Wholesale	\$ 13,539	\$ 8,350	\$ 21,889	\$ 13,273	\$ 8,663	\$ 21,936
Dealer loans	1,025	65	1,090	1,117	57	1,174
Other (c)	766	419	1,185	738	383	1,121
Non-Consumer finance receivables (b)(d)	15,330	8,834	24,164	15,128	9,103	24,231
Total recorded investment	\$ 52,031	\$ 18,232	\$ 70,263	\$ 52,694	\$ 19,375	\$ 72,069
Recorded investment in finance receivables	\$ 52,031	\$ 18,232	\$ 70,263	\$ 52,694	\$ 19,375	\$ 72,069
Less: Allowance for credit losses (e)	(440)	(107)	(547)	(625)	(142)	(767)
Finance receivables, net (f)	\$ 51,591	\$ 18,125	\$ 69,716	\$ 52,069	\$ 19,233	\$ 71,302
Net finance receivables subject to fair value (g)			\$ 68,624			\$ 69,830
Fair value			70,257			71,547

(a) Ford-sponsored special-rate financing attributable to retail contracts and direct financing leases.

(b) At September 30, 2011 and December 31, 2010, includes North America consumer receivables of \$28.2 billion and \$28.7 billion and non-consumer receivables of \$12.2 billion and \$12.8 billion, respectively, and International consumer receivables of \$6.5 billion and \$7.1 billion and non-consumer receivables of \$6.0 billion and \$5.9 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be included in our consolidated financial statements, of which \$25 million is reported as inventory by Ford at September 30, 2011. The 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 our other obligations or the claims of our other creditors. We hold 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. See Note 5 for additional information.

(c) At September 30, 2011 and December 31, 2010, includes \$583 million and \$549 million, respectively, of other receivables purchased from certain divisions and affiliates of Ford in the U.S. where control is retained by the seller.

(d) At September 30, 2011 and December 31, 2010, includes \$58 million and \$45 million, respectively, of North America wholesale receivables and \$16 million and \$24 million, respectively, of North America dealer loans with entities (primarily dealers) that are reported as consolidated subsidiaries of Ford. At September 30, 2011 and December 31, 2010, includes \$369 million and \$418 million, respectively, of International wholesale receivables with entities (primarily dealers) that are reported as consolidated subsidiaries of Ford. The associated vehicles that are being financed by us are reported as inventory on Ford's balance sheet.

(e) At September 30, 2011 and December 31, 2010, includes \$507 million and \$701 million, respectively, of allowance for credit losses attributable to consumer receivables and \$40 million and \$66 million, respectively, attributable to non-consumer receivables. See Note 4 for additional information related to our allowance for credit losses.

(f) At September 30, 2011 and December 31, 2010, excludes \$162 million and \$176 million, respectively, of accrued uncollected interest receivables, which we report in *Other assets* on our balance sheet.

(g) At September 30, 2011 and December 31, 2010, excludes \$1.1 billion and \$1.5 billion, respectively, of certain receivables (primarily direct financing leases) that are not subject to fair value disclosure requirements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

Aging. For all classes of finance receivables, we define "past due" as any payment, including principal and interest, that has not been collected and is at least 31 days past the contractual due date. The aging analysis of our finance receivables balances at September 30, 2011 was as follows (in millions):

	31-60 Days Past Due	61-90 Days Past Due	91-120 Days Past Due	Greater Than 120 Days	Total Past Due	Current	Total Finance Receivables
North America							
Consumer							
Retail	\$ 651	\$ 67	\$ 25	\$ 73	\$ 816	\$ 35,881	\$ 36,697
Direct financing leases	0	0	0	0	0	4	4
Non-Consumer							
Wholesale	—	1	—	2	3	13,536	13,539
Dealer loans	—	0	1	8	9	1,016	1,025
Other	—	—	—	—	—	766	766
Sub-total	651	68	26	83	828	51,203	52,031
International							
Consumer							
Retail	\$ 55	\$ 27	\$ 14	\$ 44	\$ 140	\$ 8,179	\$ 8,319
Direct financing leases	7	3	2	4	16	1,063	1,079
Non-Consumer							
Wholesale	1	0	0	16	17	8,333	8,350
Dealer loans	—	—	—	1	1	64	65
Other	—	—	—	—	—	419	419
Sub-total	63	30	16	65	174	18,058	18,232
Total recorded investment	\$ 714	\$ 98	\$ 42	\$ 148	\$ 1,002	\$ 69,261	\$ 70,263

Credit Quality

Consumer. When originating all classes of consumer receivables, we use a proprietary scoring system that measures the credit quality of the receivables using several factors such as credit bureau information, consumer credit risk scores (e.g., FICO score), customer characteristics, and contract characteristics. In addition to our proprietary scoring system, we consider other individual consumer factors such as employment history, financial stability and capacity to pay.

Subsequent to origination, we review the credit quality of our retail and direct financing lease receivables based on customer payment activity. As each customer develops a payment history, we use an internally developed behavioral scoring model to assist in determining the best collection strategies. Based on data from this scoring model, contracts are categorized by collection risk. Our collection models evaluate several factors including origination characteristics, updated credit bureau data, and payment patterns. These models allow for more focused collection activity on higher-risk accounts and are used to refine our risk-based staffing model to ensure collection resources are aligned with portfolio risk.

Credit quality ratings for our consumer receivables are categorized as follows:

- *Pass* – receivables that are current to 60 days past due
- *Special Mention* – receivables 61 to 120 days past due and in intensified collection status
- *Substandard* – receivables greater than 120 days past due and for which the uncollectible portion of the receivables has already been charged-off, as measured using the fair value of the collateral

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

The credit quality analysis of our consumer receivables portfolio was as follows (in millions):

	September 30, 2011		December 31, 2010	
	Retail	Direct Financing Leases	Retail	Direct Financing Leases
North America				
Pass	\$ 36,532	\$ 4	\$ 37,348	\$ 17
Special Mention	92	0	119	0
Substandard	73	0	82	0
Sub-total	36,697	4	37,549	17
International				
Pass	8,234	1,070	8,762	1,423
Special Mention	41	5	58	7
Substandard	44	4	19	3
Sub-total	8,319	1,079	8,839	1,433
Total recorded investment	\$ 45,016	\$ 1,083	\$ 46,388	\$ 1,450

Non-Consumer. For all classes of non-consumer receivables, we extend commercial credit to dealers primarily in the form of approved lines of credit to purchase new Ford and Lincoln vehicles as well as used vehicles. Each commercial lending request is evaluated taking into consideration the borrower's financial condition and the underlying collateral securing the loan. We use a proprietary model to assign each dealer a risk rating. This model uses historical performance data to identify key factors about a dealer that we consider significant in predicting a dealer's ability to meet its financial obligations. We also consider numerous other financial and qualitative factors including capitalization and leverage, liquidity and cash flow, profitability, and credit history with Ford Credit and other creditors. A dealer's risk rating does not reflect any guarantees or a dealer owner's net worth.

Dealers are assigned to one of four groups according to risk ratings as follows:

- *Group I* – Dealers with strong to superior financial metrics
- *Group II* – Dealers with fair to favorable financial metrics
- *Group III* – Dealers with marginal to weak financial metrics
- *Group IV* – Dealers with poor financial metrics, including dealers classified as uncollectible

We suspend credit lines and extend no further funding to dealers classified in Group IV.

We regularly review our model to confirm the continued business significance and statistical predictability of the factors and update the model to incorporate new factors or other information that improves its statistical predictability. In addition, we verify the existence of the assets collateralizing the receivables by physical audits of vehicle inventories, which are performed with increased frequency for higher-risk (i.e., Group III and Group IV) dealers. We perform a credit review of each dealer at least annually and adjust the dealer's risk rating, if necessary.

Performance of our non-consumer receivables is evaluated based on our internal dealer risk rating analysis, as payment for wholesale receivables generally is not required until the dealer has sold the vehicle inventory. Wholesale and dealer loan receivables with the same dealer customer share the same risk rating.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

The credit quality analysis of our wholesale and dealer loan receivables was as follows (in millions):

	September 30, 2011		December 31, 2010	
	Wholesale	Dealer Loan	Wholesale	Dealer Loan
North America				
Group I	\$ 11,034	\$ 795	\$ 10,540	\$ 785
Group II	2,166	138	2,372	208
Group III	335	85	353	107
Group IV	4	7	8	17
Sub-total	13,539	1,025	13,273	1,117
International				
Group I	5,182	43	5,270	29
Group II	1,949	10	1,939	15
Group III	1,212	11	1,454	12
Group IV	7	1	0	1
Sub-total	8,350	65	8,663	57
Total recorded investment	\$ 21,889	\$ 1,090	\$ 21,936	\$ 1,174

Other non-consumer receivables consist primarily of purchased receivables from Ford that are excluded from our credit quality reporting since the performance of this group of receivables is generally guaranteed by Ford.

Non-Accrual Status

The accrual of revenue is discontinued at the earlier of the time a receivable is determined to be uncollectible, bankruptcy status notification, or 120 days past due. Finance receivable accounts may be restored to accrual status only when a customer settles all past-due deficiency balances and future payments are reasonably assured. For receivables in non-accrual status, subsequent financing revenue is recognized only to the extent a payment is received. Payments are generally applied first to outstanding interest and then to the unpaid principal balance.

The recorded investment of consumer receivables in non-accrual status was \$433 million or 0.9% of our consumer receivables as of September 30, 2011 and \$486 million or 1% of our consumer receivables as of December 31, 2010.

The recorded investment of non-consumer receivables in non-accrual status was \$65 million, or 0.3% of our non-consumer receivables, as of September 30, 2011 and \$101 million, or 0.4% of our non-consumer receivables, as of December 31, 2010.

Finance receivables greater than 90 days past due and still accruing interest at September 30, 2011 and December 31, 2010 reflect \$18 million and \$7 million, respectively, of non-bankrupt retail accounts in the 91 – 120 days past-due category that are in the process of collection and \$2 million and \$1 million, respectively, of dealer loans.

Impaired Receivables

Consumer. Finance receivables are evaluated both collectively and specifically for impairment. Impaired consumer receivables represent accounts that have been re-written or modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code and are considered to be TDRs, as well as all accounts greater than 120 days past due. The recorded investment of consumer receivables that were impaired as of September 30, 2011 and December 31, 2010 was \$352 million, or 0.8% of consumer receivables and \$104 million, or 0.2% of consumer receivables, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

Non-Consumer. Impaired non-consumer receivables represent accounts with dealers that have weak or poor financial metrics or dealer loans that have been modified in TDRs. The following factors (not necessarily in order of importance or probability of occurrence) are considered in determining whether a non-consumer receivable is impaired:

- Delinquency in contractual payments of principal or interest
- Deterioration of the borrower's competitive position
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of dealer bankruptcy or other insolvency proceedings
- Fraud or criminal conviction

The recorded investment of non-consumer receivables that were impaired as of September 30, 2011 and December 31, 2010 was \$68 million, or 0.3% of non-consumer receivables and \$101 million, or 0.4% of non-consumer receivables, respectively.

See Note 4 for additional information related to the development of our allowance for credit losses.

Troubled Debt Restructurings

We have applied the requirements of the new accounting standard related to TDRs to restructurings occurring on or after January 1, 2011. Evaluation under the new guidance resulted in consumer finance receivables that are now considered TDRs.

A restructuring of debt constitutes a TDR if we grant a concession to a borrower for economic or legal reasons related to the debtor's financial difficulties that we would not otherwise consider.

Consumer. While payment extensions are granted on consumer receivables in the normal course of the collection process, no concessions are made on the principal balance loaned or the interest rate charged. Payment extensions typically result in a short-term deferral of the borrower's normal monthly payment and do not constitute TDRs.

Consumer receivable contracts may be modified to lower the customer's payment by extending the term of the contract or lowering the interest rate as a remedy to avoid or cure delinquency. We do not grant concessions on the principal balance for re-written contracts. Contracts that have a modified interest rate that is below the market rate are considered to be TDRs.

Consumer receivables modified in reorganization proceedings pursuant to the U.S. Bankruptcy Code are considered to be TDRs. We do not record changes to the recorded investment per the original contract for these TDRs until all payments and requirements of the reorganization plan are met.

The outstanding recorded investment at time of modification for consumer receivables that are considered to be TDRs was \$297 million, or 0.6% of our consumer receivables as of September 30, 2011. A subsequent default occurs when contracts that were previously modified in TDRs within the last twelve months subsequently and had past due payments that resulted in repossession or charge-off. The subsequent default rate for consumer contracts was 2.8% of TDRs. We had no consumer receivables considered to be TDRs as of December 31, 2010.

Consumer receivables involved in TDRs are specifically assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of any collateral adjusted for estimated costs to sell. The allowance for credit losses related to consumer TDRs was \$13 million as of September 30, 2011.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2. FINANCE RECEIVABLES (Continued)

Non-Consumer. Within our non-consumer receivables segment, only dealer loans subject to forbearance, moratoriums, extension agreements, or other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral constitute TDRs. We do not grant concessions on the principal balance of dealer loans. The outstanding recorded investment of dealer loans involved in TDRs is \$13 million, or 0.05% of our non-consumer receivables as of September 30, 2011 and December 31, 2010. A subsequent default occurs when receivables that were previously modified in TDRs within the last twelve months and subsequently had past due payments that resulted in foreclosure or charge-off. The subsequent default rate for non-consumer contracts for the periods ending September 30, 2011 and December 31, 2010 was 33% and 17%, respectively.

Dealer loans involved in TDRs are assessed for impairment and included in our allowance for credit losses based on either the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate, or the fair value of the collateral adjusted for estimated costs to sell. For loans where foreclosure is probable, the fair value of the collateral is used to estimate the specific impairment. An impairment charge is recorded as part of the provision to the allowance for credit losses for the amount by which the recorded investment of the receivable exceeds its estimated fair value.

See Note 4 for additional information related to the development of our allowance for credit losses.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases consists primarily of lease contracts for new and used vehicles with retail customers, daily rental companies, government entities and fleet customers with terms of 60 months or less.

We receive interest supplements and residual support payments on certain leasing transactions under agreements with Ford and other affiliates. The unamortized balance of unearned interest supplements and residual support payments on operating leases are included in *Other liabilities and deferred income* on the balance sheet. See Note 7 for further information.

Net investment in operating leases were as follows (in millions):

	September 30, 2011	December 31, 2010
Vehicles, at cost, including initial direct costs	\$ 12,946	\$ 14,046
Less: Accumulated depreciation	(2,491)	(4,003)
Net investment in operating leases before allowance for credit losses (a)	10,455	10,043
Less: Allowance for credit losses	(51)	(87)
Net investment in operating leases	\$ 10,404	\$ 9,956

(a) At September 30, 2011 and December 31, 2010, includes net investment in operating leases of \$4.7 billion and \$6.2 billion, respectively, that have been included in securitization transactions but continue to be included in our consolidated financial statements. These net investment in operating leases are available only for payment of the debt and other obligations issued or arising in the securitization transactions; they are not available to pay our other obligations or the claims of our other creditors until the associated debt or other obligations are satisfied. See Note 5 for additional information.

NOTE 4. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses represents our estimate of the probable loss on the collection of finance receivables and operating leases as of the balance sheet date. The adequacy of the allowance for credit losses is assessed quarterly and the assumptions and models used in establishing the allowance are regularly evaluated. Because credit losses can vary substantially over time, estimating credit losses requires a number of assumptions about matters that are uncertain.

Consumer

The majority of our credit losses are attributable to our consumer receivables segment. We estimate the allowance for credit losses on our consumer receivables segment and on our investments in operating leases using a combination of measurement models and management judgment. The models consider factors such as historical trends in credit losses and recoveries (including key metrics such as delinquencies, repossessions and bankruptcies), the composition of our present portfolio (including vehicle brand, term, risk evaluation and new/used vehicles), trends in historical and projected used vehicle values, and economic conditions. Estimates from these models rely on historical information and may not fully reflect losses inherent in the present portfolio. Therefore, we may adjust the estimate to reflect management's judgment regarding justifiable changes in recent economic trends and conditions, portfolio composition and other relevant factors.

We make projections of two key assumptions to assist in estimating the consumer allowance for credit losses:

- Frequency – the number of finance receivables that are expected to default over the loss emergence period, measured as repossessions
- Loss severity – the expected difference between the amount a customer owes when the finance contract is charged-off and the amount received, net of expenses, from selling the repossessed vehicle, including any recoveries from the customer

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Collective Allowance for Credit Losses. The consumer receivables portfolio allowance is evaluated primarily using a collective loss-to-receivables ("LTR") model that based on historical experience indicates credit losses have been incurred in the portfolio even though the particular receivables that are uncollectible cannot be specifically identified. The LTR model is based on the most recent years of history. Each LTR is calculated by dividing credit losses by average end-of-period receivables excluding unearned interest supplements and allowance for credit losses. A weighted-average LTR is calculated for each class of consumer receivables and multiplied by the end-of-period receivable balances for that given class.

The loss emergence period ("LEP") is a key assumption within our models and represents the average amount of time between when a loss event first occurs to when it is charged-off. This time period starts when the consumer begins to experience financial difficulty. It is evidenced later, typically through delinquency, before eventually resulting in a charge-off. The LEP is a multiplier in the calculation of the collective consumer allowance for credit losses.

For consumer receivables greater than 120 days past due, the uncollectible portion of the receivable is charged-off, such that the remaining recorded investment in the loan is equal to the estimated fair value of the collateral less costs to sell.

Specific Allowance for Impaired Receivables. Consumer receivables involved in TDRs are specifically assessed for impairment. A specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of any collateral adjusted for estimated costs to sell.

After the establishment of the collective and the specific allowance for credit losses, if management believes the allowance does not reflect all losses inherent in the portfolio due to changes in recent economic trends and conditions, or other relevant factors, an adjustment is made based on management judgment.

Non-Consumer

We estimate the allowance for credit losses for non-consumer receivables based on historical LTR ratios, expected future cash flows, and the fair value of collateral.

Collective Allowance for Credit Losses. We estimate an allowance for non-consumer receivables that are not specifically identified as impaired using a LTR model for each financing product based on historical experience. This LTR is a weighted-average of the most recent historical experience and is calculated consistent with the consumer receivables LTR approach. All accounts that are specifically identified as impaired are excluded from the calculation of the non-specific or collective allowance.

Specific Allowance for Impaired Receivables. The wholesale and dealer loan portfolio is evaluated by grouping individual loans into risk pools determined by the risk characteristics of the loan (such as the amount of the loan, the nature of the collateral, and the financial status of the debtor). The risk pools are analyzed to determine if individual loans are impaired, and a specific allowance is estimated based on the present value of the expected future cash flows of the receivable discounted at the loan's original effective interest rate or the fair value of the collateral adjusted for estimated costs to sell.

After establishment of the collective and specific allowance for credit losses, if management believes the allowance does not reflect all losses inherent in the portfolio due to changes in recent economic trends and conditions, or other relevant factors, an adjustment is made based on management judgment.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Allowance for Credit Losses

Following is an analysis of the allowance for credit losses related to finance receivables and investment in operating leases for the periods ended September 30, 2011 (in millions):

	Third Quarter 2011				
	Finance Receivables			Net Investment in	
	Consumer	Non-Consumer	Total	Operating Leases	Total Allowance
Allowance for credit losses					
Beginning balance	\$ 563	\$ 46	\$ 609	\$ 64	\$ 673
Charge-offs	(96)	(2)	(98)	(20)	(118)
Recoveries	51	2	53	20	73
Provision for credit losses	(3)	(4)	(7)	(13)	(20)
Other (a)	(8)	(2)	(10)	0	(10)
Ending balance	<u>\$ 507</u>	<u>\$ 40</u>	<u>\$ 547</u>	<u>\$ 51</u>	<u>\$ 598</u>

	First Nine Months 2011				
	Finance Receivables			Net Investment in	
	Consumer	Non-Consumer	Total	Operating Leases	Total Allowance
Allowance for credit losses					
Beginning balance	\$ 701	\$ 66	\$ 767	\$ 87	\$ 854
Charge-offs	(300)	(8)	(308)	(75)	(383)
Recoveries	160	4	164	70	234
Provision for credit losses	(55)	(22)	(77)	(32)	(109)
Other (a)	1	0	1	1	2
Ending balance	<u>\$ 507</u>	<u>\$ 40</u>	<u>\$ 547</u>	<u>\$ 51</u>	<u>\$ 598</u>

Analysis of ending balance of allowance for credit losses					
Collective impairment allowance	\$ 494	\$ 31	\$ 525	\$ 51	\$ 576
Specific impairment allowance	13	9	22	—	22
Ending balance	<u>\$ 507</u>	<u>\$ 40</u>	<u>\$ 547</u>	<u>\$ 51</u>	<u>\$ 598</u>

Analysis of ending balance of finance receivables and net investment in operating leases					
Collectively evaluated for impairment	\$ 45,747	\$ 24,096	\$ 69,843	\$ 10,455	
Specifically evaluated for impairment	352	68	420	—	
Recorded investment (b)	<u>\$ 46,099</u>	<u>\$ 24,164</u>	<u>\$ 70,263</u>	<u>\$ 10,455</u>	
Ending balance, net of allowance for credit losses	<u>\$ 45,592</u>	<u>\$ 24,124</u>	<u>\$ 69,716</u>	<u>\$ 10,404</u>	

(a) Represents principally amounts related to translation adjustments.

(b) Finance receivables and net investment in operating leases before allowance for credit losses.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5. TRANSFERS OF RECEIVABLES

We securitize finance receivables and net investments in operating leases through a variety of programs utilizing amortizing, variable funding and revolving structures. We also sell finance receivables in structured financing transactions. Due to the similarities between securitization and structured financing, we refer to structured financings as securitization transactions. Our securitization programs are targeted to many different investors in both public and private transactions in capital markets worldwide.

We engage in securitization transactions to fund operations and to maintain liquidity. Our securitization transactions are recorded as asset-backed debt and the associated assets are not de-recognized and continue to be included in our financial statements.

The finance receivables and net investment in operating leases that have been included in securitization transactions are only available for payment of the debt and other obligations issued or arising in the securitization transactions. They are not available to pay our other obligations or the claims of our other creditors. We do, however, hold 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. The debt is the obligation of our consolidated securitization entities and not the legal obligation of Ford Credit or our other subsidiaries.

Most of these securitization transactions utilize VIEs. See Note 6 for more information concerning VIEs. The following tables show the assets and liabilities related to our securitization transactions that were included in our financial statements (in billions):

	September 30, 2011				
	Cash and Cash Equivalents	Finance Receivables & Net Investment in Operating Leases (a)			Related Debt
		Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	
VIE (b)					
Retail (c)	\$ 2.6	\$ 32.4	\$ 0.3	\$ 32.1	\$ 26.6
Wholesale	0.4	16.2	0.0	16.2	9.6
Finance receivables	3.0	48.6	0.3	48.3	36.2
Net investment in operating leases	0.4	4.7	0.0	4.7	2.8
Total	<u>\$ 3.4</u>	<u>\$ 53.3</u>	<u>\$ 0.3</u>	<u>\$ 53.0</u>	<u>\$ 39.0</u>
Non-VIE					
Retail (c)	\$ 0.2	\$ 2.3	\$ 0.0	\$ 2.3	\$ 2.0
Wholesale	0.0	2.0	0.0	2.0	1.6
Finance receivables	0.2	4.3	0.0	4.3	3.6
Net investment in operating leases	—	—	—	—	—
Total	<u>\$ 0.2</u>	<u>\$ 4.3</u>	<u>\$ 0.0</u>	<u>\$ 4.3</u>	<u>\$ 3.6</u>
Total securitization transactions					
Retail (c)	\$ 2.8	\$ 34.7	\$ 0.3	\$ 34.4	\$ 28.6
Wholesale	0.4	18.2	0.0	18.2	11.2
Finance receivables	3.2	52.9	0.3	52.6	39.8
Net investment in operating leases	0.4	4.7	0.0	4.7	2.8
Total	<u>\$ 3.6</u>	<u>\$ 57.6</u>	<u>\$ 0.3</u>	<u>\$ 57.3</u>	<u>\$ 42.6</u>

(a) Unearned interest supplements are excluded from securitization transactions.

(b) Includes assets to be used to settle the liabilities of the consolidated VIEs.

(c) Includes direct financing leases.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5. TRANSFERS OF RECEIVABLES (Continued)

December 31, 2010

	Cash and Cash Equivalents	Finance Receivables & Net Investment in Operating Leases (a)			Related Debt
		Before Allowance for Credit Losses	Allowance for Credit Losses	After Allowance for Credit Losses	
VIE (b)					
Retail (c)	\$ 2.8	\$ 33.8	\$ 0.4	\$ 33.4	\$ 27.1
Wholesale	0.4	16.6	0.0	16.6	10.1
Finance receivables	3.2	50.4	0.4	50.0	37.2
Net investment in operating leases	0.8	6.2	0.1	6.1	3.0
Total	\$ 4.0	\$ 56.6	\$ 0.5	\$ 56.1	\$ 40.2
Non-VIE					
Retail (c)	\$ 0.1	\$ 2.0	\$ 0.0	\$ 2.0	\$ 1.7
Wholesale	0.1	2.1	0.0	2.1	1.7
Finance receivables	0.2	4.1	0.0	4.1	3.4
Net investment in operating leases	—	—	—	—	—
Total	\$ 0.2	\$ 4.1	\$ 0.0	\$ 4.1	\$ 3.4
Total securitization transactions					
Retail (c)	\$ 2.9	\$ 35.8	\$ 0.4	\$ 35.4	\$ 28.8
Wholesale	0.5	18.7	0.0	18.7	11.8
Finance receivables	3.4	54.5	0.4	54.1	40.6
Net investment in operating leases	0.8	6.2	0.1	6.1	3.0
Total	\$ 4.2	\$ 60.7	\$ 0.5	\$ 60.2	\$ 43.6

(a) Unearned interest supplements are excluded from securitization transactions.

(b) Includes assets to be used to settle the liabilities of the consolidated VIEs.

(c) Includes direct financing leases.

The financial performance related to our securitization transactions for the periods ended September 30 were as follows (in millions):

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
VIE				
Derivative expense/(income)	\$ (46)	\$ 90	\$ (13)	\$ 237
Interest expense	248	297	763	971
Total VIE	\$ 202	\$ 387	\$ 750	\$ 1,208
Non-VIE				
Derivative expense/(income)	\$ 4	\$ 5	\$ 18	\$ 13
Interest expense	35	49	108	183
Total Non-VIE	\$ 39	\$ 54	\$ 126	\$ 196
Total securitization transactions				
Derivative expense/(income)	\$ (42)	\$ 95	\$ 5	\$ 250
Interest expense	283	346	871	1,154
Total	\$ 241	\$ 441	\$ 876	\$ 1,404

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 5. TRANSFERS OF RECEIVABLES (Continued)

Certain of our securitization entities enter into derivative transactions to mitigate interest rate exposure, primarily resulting from fixed-rate assets securing floating-rate debt and, in certain instances, currency exposure resulting from assets in one currency and debt in another currency. In many instances, the counterparty enters into offsetting derivative transactions with us to mitigate their interest rate risk resulting from derivatives with our securitization entities. Our exposures based on the fair value of derivative instruments related to securitization programs were as follows (in millions):

	September 30, 2011		December 31, 2010	
	Derivative Asset	Derivative Liability	Derivative Asset	Derivative Liability
VIE - securitization entities	\$ 169	\$ 94	\$ 26	\$ 222
Ford Credit related to VIE	81	60	134	37
Other Ford Credit securitization related	12	24	14	23
Total securitization transactions	\$ 262	\$ 178	\$ 174	\$ 282

See Notes 10 and 11 for information regarding our derivatives.

NOTE 6. VARIABLE INTEREST ENTITIES

A VIE is an entity that either (i) has insufficient equity to permit the entity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. A VIE is consolidated by its primary beneficiary. The primary beneficiary has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. Nearly all of our VIEs are special purpose entities used for our on-balance sheet securitizations.

If we determine that we have operating power and the obligation to absorb losses or right to receive benefits, we consolidate the VIE as the primary beneficiary. We have operating power when we have the ability to exercise discretion in the servicing of financial assets, issue additional debt, exercise a unilateral call option, add assets to revolving structures, or control investment decisions.

Assets recognized as a result of consolidating these VIEs do not represent additional assets that could be used to satisfy claims against our general assets. Conversely, liabilities recognized as a result of consolidating these VIEs do not represent additional claims on our general assets; rather, they represent claims against the specific assets of the consolidated VIEs.

VIEs of which we are the Primary Beneficiary

We use special purpose entities to issue asset-backed securities in transactions to public and private investors, bank conduits and government-sponsored entities or others who obtain funding from government programs. We have deemed most of these special purpose entities to be VIEs. The asset-backed securities are secured by finance receivables and interests in net investments in operating leases. The assets continue to be consolidated by us. We retain interests in our securitization VIEs, including senior and subordinated securities issued by the VIEs, and rights to cash held for the benefit of the securitization investors.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6. VARIABLE INTEREST ENTITIES (Continued)

The transactions create and pass along risks to the variable interest holders, depending on the assets securing the debt and the specific terms of the transactions. We aggregate and analyze our transactions based on the risk profile of the product and the type of funding structure, including:

- Retail transactions – consumer credit risk and pre-payment risk, which are driven by the ability of the customer to pay, as well as the timing of the customer payments;
- Wholesale transactions – dealer credit risk and Ford risk, as the receivables owned by the VIEs primarily arise from the financing provided by us to Ford-franchised dealers; therefore, the collections depend upon the sale of Ford vehicles; and
- Net investment in operating lease transactions – vehicle residual value risk, consumer credit risk and pre-payment risk.

As residual interest holder, we are exposed to the underlying residual and credit risk of the collateral, and are exposed to interest rate risk in some transactions. The amount of risk absorbed by our residual interests generally is represented by and limited to the amount of overcollateralization of the assets securing the debt and any cash reserves.

We have no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default, except under standard representations and warranties such as good and marketable title to the assets, or when certain changes are made to the underlying asset contracts. Securitization investors have no recourse to us or our other assets for credit losses on the securitized assets and have no right to require us to repurchase the investments. We generally have no obligation to provide liquidity or contribute cash or additional assets to the VIEs and do not guarantee any asset-backed securities, although we are the co-obligor of the debt of a consolidated VIE up to \$250 million for two of our securitization transactions. We may be required to support the performance of certain securitization transactions, however, by increasing cash reserves.

Although not contractually required, we regularly support our wholesale securitization programs by repurchasing receivables of a dealer from the VIEs when the dealer's performance is at risk, which transfers the corresponding risk of loss from the VIE to us. In order to continue to fund the wholesale receivables, we also may contribute additional cash or wholesale receivables if the collateral falls below the required levels. The balances of cash related to these contributions were zero at September 30, 2011 and December 31, 2010, and ranged from zero to \$490 million during the first nine months of 2011. In addition, while not contractually required, we may purchase the commercial paper issued by our FCAR Owner Trust asset-backed commercial paper program.

VIEs that are exposed to interest rate or currency risk have reduced their risks by entering into derivative transactions. In certain instances, we have entered into offsetting derivative transactions with the VIE to protect the VIE from the risks that are not mitigated through the derivative transactions between the VIE and its external counterparty. In other instances, we have entered into derivative transactions with the counterparty to protect the counterparty from risks absorbed through their derivative transactions with the VIEs.

See Note 5 for information on the financial position and financial performance of our VIEs and Notes 10 and 11 for information on our derivative transactions.

VIEs of which we are not the Primary Beneficiary

We have an investment in Forso Nordic AB, a joint venture determined to be a VIE of which we are not the primary beneficiary. The joint venture provides consumer and dealer financing in its local markets and is financed by external debt and additional subordinated debt provided by our joint venture partner. The operating agreement indicates that the power to direct economically significant activities is shared with our joint venture partner, and the obligation to absorb losses or right to receive benefits resides primarily with our joint venture partner. Our investment in the joint venture is accounted for as an equity method investment and is included in *Other assets*. Our maximum exposure to any potential losses associated with this VIE is limited to our equity investment and amounted to \$77 million and \$71 million at September 30, 2011 and December 31, 2010, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7. OTHER ASSETS AND OTHER LIABILITIES AND DEFERRED INCOME

Other assets and other liabilities and deferred income consist of various balance sheet items that are combined for financial statement presentation due to their respective materiality compared with other individual asset and liability items. This footnote provides more information contained within the combined items.

Other assets were as follows (in millions):

	September 30, 2011	December 31, 2010
Accrued interest and other non-finance receivables	\$ 660	\$ 950
Collateral held for resale, at net realizable value	232	346
Investment in used vehicles held for resale at net realizable value	95	298
Restricted cash (a)	115	271
Deferred charges	289	287
Deferred charges – income taxes	167	273
Prepaid reinsurance premiums and other reinsurance receivables	253	227
Investment in non-consolidated affiliates	145	130
Property and equipment, net of accumulated depreciation of \$378 and \$369 at September 30, 2011 and December 31, 2010, respectively	134	146
Other	61	63
Total other assets	<u>\$ 2,151</u>	<u>\$ 2,991</u>

- (a) Restricted cash primarily includes cash held to meet certain local governmental and regulatory reserve requirements. At December 31, 2010 restricted cash also included cash collateral required to be held against loans with the European Investment Bank. Restricted cash does not include required minimum balances or cash securing debt issued through securitization transactions.

Other liabilities and deferred income were as follows (in millions):

	September 30, 2011	December 31, 2010
Interest payable	\$ 893	\$ 991
Deferred interest supplements and residual support payments on net investment in operating leases	914	863
Income taxes payable to Ford and affiliated companies (a)	1,315	1,348
Unrecognized tax benefits	519	533
Unearned insurance premiums	270	251
Other	460	325
Total other liabilities and deferred income	<u>\$ 4,371</u>	<u>\$ 4,311</u>

- (a) During the first quarter of 2011, we paid \$401 million to Ford in accordance with our intercompany tax sharing agreement.

NOTE 8. DEBT

We have an asset-backed commercial paper program in the United States with qualified institutional investors. We also obtain other short-term funding from the issuance of demand notes to retail investors through our floating rate demand notes program. We have certain asset-backed securitization programs that issue short-term debt securities that are sold to institutional investors. Bank borrowings by several of our international affiliates in the ordinary course of business are an additional source of short-term funding.

We obtain long-term debt funding through the issuance of a variety of unsecured and asset-backed debt securities in the United States and international capital markets. We also sponsor a number of asset-backed securitization programs that issue long-term debt securities that are sold to institutional investors in the United States and international capital markets.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8. DEBT (Continued)

Debt

Interest rates and debt outstanding were as follows (in millions):

	Interest Rates (a)						Debt	
	Average Contractual (b)		Average Effective (c)		Weighted-Average (d)		September 30,	December 31,
	2011	2010	2011	2010	2011	2010	2011	2010
Short-term debt								
Asset-backed commercial paper (e)	0.3%	0.5%					\$ 6,460	\$ 6,634
Ford Interest Advantage (f)	1.3%	1.8%					4,930	4,525
Other asset-backed short-term debt (e)	2.3%	2.6%					2,532	1,112
Other short-term debt (g)	6.4%	4.9%					1,170	1,000
Total short-term debt	1.5%	1.4%	1.5%	1.4%	1.8%	1.9%	15,092	13,271
Long-term debt								
Senior indebtedness								
Notes payable within one year (g)							9,298	9,129
Notes payable after one year (g)							22,204	24,771
Asset-backed debt (e)								
Notes payable within one year							13,713	16,673
Notes payable after one year							19,817	19,132
Unamortized discount							(199)	(399)
Fair value adjustments (h)							688	302
Total long-term debt (i)	4.7%	4.6%	5.1%	5.0%	4.5%	4.7%	65,521	69,608
Total debt	4.1%	4.1%	4.5%	4.4%	4.0%	4.2%	\$ 80,613	\$ 82,879
Fair value of debt (j)							\$ 82,533	\$ 86,256

- (a) Interest rates are presented for the third quarter of 2011 and the fourth quarter of 2010.
- (b) Average contractual rates reflect the stated contractual interest rate excluding amortization of discounts, premiums and issuance fees.
- (c) Average effective rates reflect the average contractual interest rate plus amortization of discounts, premiums and issuance fees.
- (d) Weighted-average rates reflect the average effective interest rate plus the impact of derivatives and facility fees.
- (e) Obligations issued in securitizations that are payable only out of collections on the underlying securitized assets and related enhancements. See Note 5 for information regarding securitization transactions.
- (f) The Ford Interest Advantage program consists of our floating rate demand notes.
- (g) Includes debt with affiliated companies as indicated in the table below.
- (h) Fair value adjustments related to designated fair value hedges of unsecured debt.
- (i) Reflect the rates for both notes payable within one year and notes payable after one year.
- (j) Reflects interest accrued but not yet paid of \$973 million and \$1.0 billion at September 30, 2011 and December 31, 2010, respectively. Interest accrued is reported in *Other liabilities and deferred income* for outside debt and *Accounts payable - Affiliated companies* for debt with affiliated companies. See Note 10 for fair value methodology.

	September 30, 2011	December 31, 2010
Debt with affiliated companies		
Other short-term debt	\$ 37	\$ 385
Notes payable within one year	485	160
Notes payable after one year	95	116
Total debt with affiliated companies (a)	\$ 617	\$ 661

- (a) Includes primarily cash from Blue Oval Holdings to collateralize guarantees from FCE Bank plc ("FCE") for Ford in Romania. See Note 15 for further information.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8. DEBT (Continued)

Debt Repurchases and Calls. From time to time and based on market conditions, we may repurchase or call some of our outstanding unsecured and asset-backed debt. If we have excess liquidity and it is an economically favorable use of our available cash, we may repurchase or call debt at a price lower or higher than its carrying value, resulting in a gain or loss on extinguishment.

In the third quarter and first nine months of 2011, through private market transactions, we repurchased and called an aggregate principal amount of \$804 million (including \$1 million maturing in 2011) and \$2.3 billion, respectively, of our unsecured debt. There were no repurchase or call transactions for asset-backed debt during 2011. As a result, we recorded a pre-tax loss of \$31 million and a pre-tax loss of \$65 million, net of unamortized premiums, discounts and fees, in *Other income, net* in the third quarter and the first nine months of 2011, respectively.

In the third quarter and first nine months of 2010, through private market transactions, we repurchased and called an aggregate principal amount of \$1.0 billion and \$3.4 billion, respectively, of our unsecured debt and asset-backed debt. As a result, we recorded a pre-tax loss of \$26 million and a pre-tax loss of \$86 million, net of unamortized premiums, discounts and fees, in *Other income, net* in the third quarter and the first nine months of 2010, respectively.

Debt Maturities. Short-term and long-term debt matures at various dates through 2048. Maturities are as follows (in millions):

	2011 (a)	2012 (b)	2013	2014	2015	There-after (c)	Total
Unsecured debt	\$ 8,372	\$ 7,129	\$ 5,130	\$ 3,549	\$ 5,703	\$ 7,719	\$ 37,602
Asset-backed debt	8,120	18,699	7,006	4,032	2,104	2,561	42,522
Unamortized (discount)/premium (d)	4	(30)	(17)	(114)	(7)	(35)	(199)
Fair value adjustments (d)	3	33	78	46	113	415	688
Total debt	\$ 16,499	\$ 25,831	\$ 12,197	\$ 7,513	\$ 7,913	\$ 10,660	\$ 80,613

(a) Includes \$10,337 million for short-term and \$6,162 million for long-term debt.

(b) Includes \$4,755 million for short-term and \$21,076 million for long-term debt.

(c) Includes \$10,272 million of unsecured debt maturing between 2016 and 2021 with the remaining balance maturing after 2031.

(d) Presented based on maturity date of related debt.

NOTE 9. RETAINED EARNINGS

The following table summarizes earnings retained for use in the business for the periods ended September 30 (in millions):

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
Retained earnings, beginning balance	\$ 3,161	\$ 5,363	\$ 4,227	\$ 4,779
Net income/(loss)	350	497	1,184	1,581
Distributions	(800)	(1,000)	(2,700)	(1,500)
Retained earnings, ending balance	\$ 2,711	\$ 4,860	\$ 2,711	\$ 4,860

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS

Cash equivalents, marketable securities, derivative financial instruments and retained interests in securitized assets are presented on our financial statements at fair value. The fair value of finance receivables and debt, together with the related carrying value, is disclosed in Notes 2 and 8, respectively. Certain other assets and liabilities are measured at fair value on a nonrecurring basis and vary based on specific circumstances such as impairments.

Fair Value Measurements

In determining fair value, we use various valuation methodologies and prioritize the use of observable inputs. We assess the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market:

- Level 1 – inputs include quoted prices for identical instruments and are the most observable.
- Level 2 – inputs include quoted prices for similar assets and observable inputs such as interest rates, currency exchange rates and yield curves.
- Level 3 – inputs include data not observable in the market and reflect management judgment about the assumptions market participants would use in pricing the asset or liability.

The use of observable and unobservable inputs and their significance in measuring fair value are reflected in our hierarchy assessment.

Valuation Methodologies

Cash and Cash Equivalents. Included in *Cash and cash equivalents* are highly liquid investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value due to interest rate, market price, or penalty on withdrawal. A debt security is classified as a cash equivalent if it meets these criteria and if it has a remaining time to maturity of 90 days or less from the date of acquisition. Amounts on deposit and available upon demand, or negotiated to provide for daily liquidity without penalty, are classified as *Cash and cash equivalents*. Time deposits, certificates of deposit, and money market accounts meeting this criteria are classified as *Cash and cash equivalents*, reported at par value, and excluded from the tables below.

Marketable Securities. Investments in securities with a maturity date greater than 90 days at the date of purchase and other securities for which there is a more than insignificant risk of changes in value because of interest rate, market price or penalty on withdrawal are classified as *Marketable securities*. For marketable securities, we generally measure fair value based on a market approach using prices obtained from pricing services. We review all pricing data for reasonability and observability of inputs. Pricing methodologies and inputs to valuation models used by the pricing services depend on the security type (i.e., asset class). Where possible, fair values are generated using market inputs including quoted prices (the closing price in an exchange market), bid prices (the price at which a dealer stands ready to purchase) and other market information. For securities that are not actively traded, the pricing services obtain quotes for similar fixed-income securities or utilize matrix pricing, benchmark curves or other factors to determine fair value. In certain cases, when observable pricing data are not available, we estimate the fair value of investment securities based on an income approach using industry standard valuation models and estimates regarding non-performance risk.

Derivative Financial Instruments. Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We estimate the fair value of these instruments based on an income approach using industry standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, foreign exchange rates and the contractual terms of the derivative instruments. The discount rate used is the relevant interbank deposit rate (e.g., LIBOR) plus an adjustment for non-performance risk. The adjustment reflects the full credit default swap ("CDS") spread applied to a net exposure, by counterparty considering the master netting agreements. We use our counterparty's CDS spread when we are in a net asset position and our own CDS spread when we are in a net liability position.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

In certain cases, market data are not available and we develop assumptions or use models (e.g., Black Scholes) to determine fair value. This includes situations for longer-dated instruments where market data is less observable. Also, for interest rate swaps and cross-currency interest rate swaps used in securitization transactions, the notional amount of the swap is reset based on actual payments on the securitized contracts. We use management judgment to estimate timing and amount of the remaining swap cash flows based on historical pre-payment speeds.

We have two securitization transactions with derivative features related to Ford Upgrade Exchange Linked ("FUEL") notes. These features include a mandatory exchange to our unsecured notes when our senior unsecured debt receives two investment grade credit ratings among Fitch, Moody's and S&P and a make-whole provision. We estimated the fair value of these features by comparing the market value of the FUEL notes to the value of a hypothetical debt instrument without these features.

Retained Interests in Securitized Assets. We estimate the fair value of retained interests based on an income approach using internal valuation models. These models project future cash flows of the monthly collections on the sold finance receivables in excess of amounts needed for payment of the debt and other obligations issued or arising in the securitization transactions. The projected cash flows are discounted to a present value based on market inputs and our own assumptions regarding credit losses, pre-payment speed and the discount rate.

Finance Receivables. We generally estimate the fair value of finance receivables based on an income approach using internal valuation models. These models project future cash flows of financing contracts based on scheduled contract payments (including principal and interest). The projected cash flows are discounted to a present value based on market inputs and our own assumptions regarding credit losses, pre-payment speed and the discount rate. Our assumptions regarding pre-payment speed and credit losses are based on historical performance.

Debt. We estimate the fair value of debt based on a market approach using quoted market prices or current market rates for similar debt with approximately the same remaining maturities, where possible. Where market prices or current market rates are not available, we estimate fair value based on an income approach using discounted cash flow models. These models project future cash flows and discount the future amounts to a present value using market-based expectations for interest rates, our own credit risk and the contractual terms of the debt instruments. For asset-backed debt issued in securitization transactions, the principal payments are based on projected payments for specific assets securing the underlying debt considering historical pre-payment speeds.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

Input Hierarchy of Items Measured at Fair Value on a Recurring Basis

The following summarizes the fair values by input hierarchy of items measured at fair value on a recurring basis on our balance sheet (in millions):

	September 30, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Cash equivalents — financial instruments								
U.S. government	\$ 5	\$ —	\$ —	\$ 5	\$ 9	\$ —	\$ —	\$ 9
U.S. government-sponsored enterprises	—	190	—	190	—	150	—	150
Foreign government agencies (a)	—	701	—	701	—	100	—	100
Corporate debt	—	1	—	1	—	200	—	200
Mortgage-backed and other asset-backed	—	—	—	—	—	—	—	—
Government — non U.S.	—	386	—	386	—	323	—	323
Total cash equivalents — financial instruments (b)	5	1,278	—	1,283	9	773	—	782
Marketable securities								
U.S. government	905	—	—	905	1,671	—	—	1,671
U.S. government-sponsored enterprises	—	1,039	—	1,039	—	2,905	—	2,905
Foreign government agencies (a)	—	778	—	778	—	821	1	822
Corporate debt	—	1,198	—	1,198	—	732	—	732
Mortgage-backed and other asset-backed	—	152	—	152	—	177	—	177
Government — non U.S.	—	157	—	157	—	364	—	364
Other liquid investments (c)	—	17	—	17	—	88	—	88
Total marketable securities	905	3,341	—	4,246	1,671	5,087	1	6,759
Derivative financial instruments								
Interest rate contracts	—	889	534	1,423	—	1,031	157	1,188
Foreign exchange forward contracts	—	134	—	134	—	33	—	33
Cross-currency interest rate swap contracts	—	—	8	8	—	25	—	25
Other (d)	—	—	158	158	—	—	—	—
Total derivative financial instruments	—	1,023	700	1,723	—	1,089	157	1,246
Total assets at fair value	\$ 910	\$ 5,642	\$ 700	\$ 7,252	\$ 1,680	\$ 6,949	\$ 158	\$ 8,787
Liabilities								
Derivative financial instruments								
Interest rate contracts	\$ —	\$ 85	\$ 168	\$ 253	\$ —	\$ 134	\$ 195	\$ 329
Foreign exchange forward contracts	—	45	—	45	—	16	—	16
Cross-currency interest rate swap contracts	—	—	7	7	—	118	71	189
Total derivative financial instruments	—	130	175	305	—	268	266	534
Total liabilities at fair value	\$ —	\$ 130	\$ 175	\$ 305	\$ —	\$ 268	\$ 266	\$ 534

- (a) Includes notes issued by foreign government agencies that include implicit and explicit guarantees as well as notes issued by supranational institutions.
- (b) Excludes \$4.5 billion and \$5.6 billion of time deposits, certificates of deposit, money market accounts, and other cash equivalents reported at par value at September 30, 2011 and December 31, 2010, respectively. In addition to these cash equivalents, we also had cash on hand totaling \$2.4 billion and \$1.9 billion at September 30, 2011 and December 31, 2010, respectively.
- (c) Includes certificates of deposits and time deposits.
- (d) Represents derivative features included in the FUEL notes.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

Reconciliation of Changes in Level 3 Financial Instrument Balances

The following summarizes the changes in Level 3 financial instruments measured at fair value on a recurring basis on our balance sheet for the periods ended September 30 (in millions):

	Third Quarter							
	2011				2010			
	Marketable Securities	Derivative Financial Instruments, Net (a)	Retained Interest in Securitized Assets	Total Level 3 Fair Value	Marketable Securities	Derivative Financial Instruments, Net (a)	Retained Interest in Securitized Assets	Total Level 3 Fair Value
Beginning balance	\$ 5	\$ 80	\$ —	\$ 85	\$ —	\$ (118)	\$ 4	\$ (114)
Realized/unrealized gains/ (losses)								
Other income, net	0	397	—	397	0	(53)	—	(53)
Other comprehensive income/ (loss) (b)	—	2	—	2	—	(8)	0	(8)
Interest income/(expense) (c)	—	40	—	40	—	—	—	—
Total realized/unrealized gains/(losses)	0	439	—	439	0	(61)	0	(61)
Purchases, issues, sales and settlements								
Purchases	—	—	—	—	7	—	—	7
Issues	—	—	—	—	—	—	—	—
Sales	—	—	—	—	—	—	—	—
Settlements	—	6	—	6	—	44	(4)	40
Total purchases, issues, sales and settlements	—	6	—	6	7	44	(4)	47
Transfers into level 3	—	—	—	—	—	—	—	—
Transfers out of level 3 (d)	(5)	—	—	(5)	—	—	—	—
Ending balance	\$ —	\$ 525	\$ —	\$ 525	\$ 7	\$ (135)	\$ —	\$ (128)
Unrealized gains/(losses) on instruments still held	\$ 0	\$ 436	\$ —	\$ 436	\$ —	\$ (18)	\$ —	\$ (18)

(a) See Note 11 for detail on financial statement presentation by hedge designation.

(b) Represents foreign currency translation on derivative asset and liability balances held by non-U.S. dollar foreign affiliates.

(c) Recorded in *Interest expense*.

(d) Represents transfers out of \$5 million during the third quarter of 2011 due to the availability of observable data as a result of increased market activity for these securities. Transfers in and transfers out represent the value at the end of the reporting period.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

The following summarizes the changes in Level 3 financial instruments measured at fair value on a recurring basis on our balance sheet for the periods ended September 30 (in millions):

	First Nine Months							
	2011				2010			
	Marketable Securities	Derivative Financial Instruments, Net (a)	Retained Interest in Securitized Assets	Total Level 3 Fair Value	Marketable Securities	Derivative Financial Instruments, Net (a)	Retained Interest in Securitized Assets	Total Level 3 Fair Value
Beginning balance	\$ 1	\$ (109)	\$ —	\$ (108)	\$ 4	\$ (168)	\$ 26	\$ (138)
Realized/unrealized gains/ (losses)								
Other income, net	0	385	—	385	(4)	(93)	(3)	(100)
Other comprehensive income/ (loss) (b)	—	(1)	—	(1)	—	(3)	2	(1)
Interest income/(expense) (c)	—	65	—	65	—	—	—	—
Total realized/unrealized gains/(losses)	0	449	—	449	(4)	(96)	(1)	(101)
Purchases, issues, sales and settlements								
Purchases	5	—	—	5	7	—	—	7
Issues (d)	—	73	—	73	—	—	—	—
Sales	—	—	—	—	—	—	—	—
Settlements	—	112	—	112	—	129	(25)	104
Total purchases, issues, sales and settlements	5	185	—	190	7	129	(25)	111
Transfers into level 3	—	—	—	—	—	—	—	—
Transfers out of level 3 (e)	(6)	—	—	(6)	—	—	—	—
Ending balance	\$ —	\$ 525	\$ —	\$ 525	\$ 7	\$ (135)	\$ —	\$ (128)
Unrealized gains/(losses) on instruments still held	\$ 0	\$ 475	\$ —	\$ 475	\$ 0	\$ 32	\$ 0	\$ 32

- (a) See Note 11 for detail on financial statement presentation by hedge designation.
(b) Represents foreign currency translation on derivative asset and liability balances held by non-U.S. dollar foreign affiliates.
(c) Recorded in *Interest expense*.
(d) Reflects derivative features included in the FUEL notes.
(e) Represents transfers out of \$6 million during the first nine months of 2011 due to the availability of observable data as a result of increased market activity for these securities. Transfers in and transfers out represent the value at the end of the reporting period.

Input Hierarchy of Items Measured at Fair Value on a Nonrecurring Basis

The following table summarizes the items measured at fair value subsequent to initial recognition on a nonrecurring basis by input hierarchy for the quarter and year ended September 30, 2011 and December 31, 2010, respectively, that were still held on our balance sheet at those dates (in millions):

	September 30, 2011				December 31, 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
North America								
Retail receivables	\$ —	\$ —	\$ 73	\$ 73	\$ —	\$ —	\$ 82	\$ 82
Dealer loans, net	—	—	11	11	—	—	22	22
Total North America	\$ —	\$ —	\$ 84	\$ 84	\$ —	\$ —	\$ 104	\$ 104
International								
Retail receivables	\$ —	\$ —	\$ 44	\$ 44	\$ —	\$ —	\$ 45	\$ 45

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. FAIR VALUE MEASUREMENTS (Continued)

Nonrecurring Fair Value Changes

Finance receivables, including retail accounts that have been charged-off and individual dealer loans where foreclosure is probable, are measured based on the fair value of the collateral adjusted for estimated costs to sell. The collateral for retail receivables is the vehicle being financed and for dealer loans is real estate or other property. See Note 4 for additional information related to the development of our allowance for credit losses.

The following table summarizes the total change in value of items for which a nonrecurring fair value adjustment has been included in our consolidated statement of operations for the periods ended September 30, 2011 and 2010, related to items still held on our balance sheet at those dates (in millions):

	Total Gains/(Losses)			
	Third Quarter		First Nine Months	
	2011	2010	2011	2010
North America				
Retail receivables (a)	\$ (8)	\$ (6)	\$ (19)	\$ (19)
Dealer loans, net (a)	0	(1)	0	(1)
Total North America	\$ (8)	\$ (7)	\$ (19)	\$ (20)
International				
Retail receivables (a)	\$ (3)	\$ (8)	\$ (11)	\$ (25)

(a) Fair value changes related to retail finance receivables that have been charged-off or dealer loans that have been impaired based on the fair value of the collateral adjusted for estimated costs to sell are recorded in *Provision for credit losses*.

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

In the normal course of business, our operations are exposed to global market risks, including the effect of changes in interest rates and foreign currency exchange rates. To manage these risks, we enter into various derivative contracts.

- Interest rate contracts including swaps, caps and floors that are used to manage the effects of interest rate fluctuations;
- Foreign exchange forward contracts that are used to manage foreign exchange exposure; and
- Cross-currency interest rate swap contracts that are used to manage foreign currency and interest rate exposures on foreign denominated debt.

Our derivatives are over-the-counter customized derivative transactions and are not exchange traded. We review our hedging program, derivative positions, and overall risk management strategy on a regular basis.

We have elected to apply hedge accounting to certain derivatives. Derivatives that are designated are documented and the relationships are evaluated for effectiveness using regression analysis at the time they are designated and throughout the hedge period. Cash flows and profit impact associated with designated hedges are reported in the same category as the underlying hedged item.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Fair Value Hedges. We use derivatives to reduce the risk of changes in the fair value of liabilities. We have designated certain receive-fixed, pay-float interest rate swaps as fair value hedges of fixed-rate debt. The risk being hedged is the risk of changes in the fair value of the hedged debt attributable to changes in the benchmark interest rate. If the hedge relationship is deemed to be highly effective, we record the changes in the fair value of the hedged debt related to the risk being hedged in *Debt* with the offset in *Other income, net*. The change in fair value of the related derivative (excluding accrued interest) also is recorded in *Other income, net*. Hedge ineffectiveness, recorded to *Other income, net*, is the difference between the change in fair value of the derivative and the change in the fair value of the hedged debt that is attributable to the changes in the benchmark interest rate. For our fair value hedges, net interest settlements and accruals are excluded from the assessment of hedge effectiveness. We report net interest settlements and accruals in *Interest expense*. We report foreign currency revaluation on accrued interest in *Other income, net*. The cash flows associated with fair value hedges are reported in *Cash flows from operating activities* in our consolidated statement of cash flows.

When a derivative is de-designated from a fair value hedge relationship, or when the derivative in a fair value hedge relationship is terminated before maturity, the fair value adjustment to the hedged debt continues to be reported as part of the carrying value of the debt and is amortized over its remaining life.

Derivatives Not Designated as Hedging Instruments. Some derivatives do not qualify for hedge accounting; for others, we elect not to apply hedge accounting. Regardless of hedge accounting treatment, we only enter into transactions that we believe will be highly effective at offsetting the underlying economic risk. We report changes in the fair value of derivatives not designated as hedging instruments through *Other income, net*. Cash flows associated with non-designated or de-designated derivatives are reported in *Cash flows from investing activities* in our consolidated statement of cash flows.

Income Effect of Derivative Financial Instruments

The following table summarizes by hedge designation the pre-tax gains/(losses) for the periods ended September 30 (in millions):

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
Fair value hedges				
Interest rate contracts				
Net interest settlements and accruals excluded from the assessment of hedge effectiveness	\$ 45	\$ 60	\$ 178	\$ 165
Ineffectiveness (a)	(6)	3	(22)	3
Total	\$ 39	\$ 63	\$ 156	\$ 168
Derivatives not designated as hedging instruments				
Interest rate contracts	\$ (6)	\$ 16	\$ (12)	\$ 28
Foreign exchange forward contracts (b)	46	78	45	75
Cross-currency interest rate swap contracts (b)	33	(80)	2	8
Other (c)	83	0	85	0
Total	\$ 156	\$ 14	\$ 120	\$ 111

- (a) For the third quarter of 2011 and 2010, hedge ineffectiveness reflects change in fair value on derivatives of \$372 million gain and \$83 million gain, respectively, and change in fair value on hedged debt of \$378 million loss and \$80 million loss, respectively. For the first nine months of 2011 and 2010, hedge ineffectiveness reflects a \$418 million gain and a \$238 million gain on derivatives, respectively, and a \$440 million loss and \$235 million loss on hedged debt, respectively.
- (b) Gains/(Losses) related to foreign currency derivatives were substantially offset by net revaluation impacts on foreign denominated debt, which were also recorded in *Other income, net*.
- (c) Reflects gains/(losses) for derivative features included in the FUEL notes (see Note 10).

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES (Continued)

Balance Sheet Effect of Derivative Financial Instruments

The following tables summarize the notional amounts and estimated fair value of our derivative financial instruments (in millions):

	September 30, 2011			December 31, 2010		
	Notional	Fair Value Assets	Fair Value Liabilities	Notional	Fair Value Assets	Fair Value Liabilities
Fair value hedges						
Interest rate contracts	\$ 7,084	\$ 501	\$ —	\$ 8,826	\$ 503	\$ 7
Derivatives not designated as hedging instruments						
Interest rate contracts	\$ 61,425	\$ 922	\$ 253	\$ 52,698	\$ 685	\$ 322
Foreign exchange forward contracts (a)	5,552	134	45	3,309	33	16
Cross-currency interest rate swap contracts	1,025	8	7	1,472	25	189
Other (b)	2,500	158	—	—	—	—
Total derivatives not designated as hedging instruments	70,502	1,222	305	57,479	743	527
Total derivative financial instruments	\$ 77,586	\$ 1,723	\$ 305	\$ 66,305	\$ 1,246	\$ 534

(a) Includes forward contracts between Ford Credit and an affiliated company.

(b) Represents derivative features included in the FUEL notes (see Note 10).

We report derivative assets and derivative liabilities in *Derivative financial instruments* in our consolidated balance sheet. To ensure consistency in our treatment of derivative and non-derivative exposures with regard to our master agreements, we do not net our derivative position by counterparty for purposes of balance sheet presentation and disclosure.

The notional amounts of the derivative financial instruments do not represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates or foreign currency exchange rates.

Counterparty Risk

Use of derivatives exposes us to the risk that a counterparty may default on a derivative contract. We establish exposure limits for each counterparty to minimize this risk and provide counterparty diversification. Substantially all of our derivative exposures are with counterparties that have long-term credit ratings of single-A or better. The aggregate fair value of derivative instruments in asset positions at September 30, 2011 was \$1.7 billion, representing the maximum loss we would recognize at that date if all counterparties failed to perform as contracted. We enter into master agreements with counterparties that generally allow for netting of certain exposures; therefore, the actual loss we would recognize if all counterparties failed to perform as contracted would be significantly lower.

We include an adjustment for non-performance risk in the fair value of derivative instruments. Our adjustment for non-performance risk relative to a measure based on an unadjusted inter-bank deposit rate (e.g., LIBOR) decreased our derivative assets by \$55 million and \$9 million at September 30, 2011 and December 31, 2010, respectively, and decreased our derivative liabilities by \$5 million and \$4 million at September 30, 2011 and December 31, 2010, respectively. See Note 10 for additional information regarding fair value measurements.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 12. OTHER INCOME

Other income consists of various line items that are combined on the consolidated statement of operations due to their respective materiality compared with other individual income and expense items. This footnote provides more detailed information contained within this item.

The following table summarizes amounts included in *Other income, net* for periods ended September 30 (in millions):

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
Gains/(Losses) on extinguishment of debt	\$ (31)	\$ (26)	\$ (65)	\$ (86)
Gains/(Losses) on derivatives (a)	150	19	99	106
Currency revaluation gains/(losses) (a)	(95)	(12)	(102)	(115)
Interest and investment income	16	41	87	101
Insurance fee income	16	13	68	56
Other	66	40	119	148
Other income, net	\$ 122	\$ 75	\$ 206	\$ 210

(a) Currency revaluation gains/(losses) primarily related to foreign denominated debt were substantially offset by gains/(losses) on derivatives. See Note 11 for detail by derivative instrument and risk type.

NOTE 13. EMPLOYEE SEPARATION ACTIONS

We continuously monitor and manage the cost structure of our business to remain competitive within the industry. Restructuring charges related to employee separation actions are provided by segment.

North America Segment

In the first quarter of 2011, we announced plans to cease operations at one of our loss prevention centers in the U.S. The restructuring occurred through involuntary separations, attrition and retirements. In the third quarter of 2011 and the first nine months of 2011, we recognized pre-tax charges of zero and \$7 million, respectively, in *Operating expenses* as a result of employee separation actions.

In the first quarter of 2010, we announced plans to continue to restructure our U.S. operations to meet changing business conditions, including the decline in our receivables. The restructuring occurred through involuntary separations, attrition and retirements. In the first nine months of 2010, we recognized a pre-tax charge of \$14 million in *Operating expenses* as a result of employee separation actions; the pre-tax charge in the third quarter of 2010 was de minimus.

International Segment

In the third quarter of 2011, we recognized pre-tax charges of \$4 million, primarily in Asia Pacific locations, in *Operating expenses* for employee separation actions. In the first nine months of 2011, we recognized pre-tax charges of \$7 million (including \$1 million for retirement plan benefits), primarily in Asia Pacific and European locations, in *Operating expenses* for employee separation actions.

In the third quarter of 2010 and the first nine months of 2010, we recognized pre-tax charges of \$3 million and \$9 million (including \$1 million for retirement plan benefits), respectively, in *Operating expenses* for employee separation actions primarily in European locations.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14. SEGMENT INFORMATION

We conduct our financing operations directly and indirectly through our subsidiaries and affiliates. We offer substantially similar products and services throughout many different regions, subject to local legal restrictions and market conditions. We divide our business segments based on geographic regions: the North America Segment (includes operations in the United States and Canada) and the International Segment (includes operations in all other countries).

We measure the performance of our segments primarily on an income before income taxes basis, after excluding the impact to earnings from gains and losses related to market valuation adjustments to derivatives primarily related to movements in interest rates. These adjustments are included in Unallocated Risk Management and are excluded in assessing our North America and International segment performance, because our risk management activities are carried out on a centralized basis at the corporate level, with only certain elements allocated to these segments. We also adjust segment performance to re-allocate interest expense between the North America and International segments reflecting debt and equity levels proportionate to their product risk. The North America and International segments are presented on a managed basis. Managed basis includes *Finance receivables, net* and *Net investment in operating leases* included in our consolidated balance sheet, excluding unearned interest supplements related to finance receivables.

Key operating data for our business segments for the periods ended September 30 were as follows (in millions):

	North America Segment	International Segment	Unallocated/Eliminations			Total	Total
			Unallocated Risk Management	Effect of Sales of Receivables	Effect of Unearned Interest Supplements		
Third Quarter of 2011							
Revenue (a)	\$ 1,678	\$ 499	\$ 29	\$ —	\$ —	\$ 29	\$ 2,206
Income							
Income/(Loss) before income taxes	465	84	32	—	—	32	581
Provision for income taxes	192	28	11	—	—	11	231
Net income/(loss)	273	56	21	—	—	21	350
Other disclosures							
Depreciation on vehicles subject to operating leases	381	83	—	—	—	—	464
Interest expense	655	236	(3)	—	—	(3)	888
Provision for credit losses	(12)	(8)	—	—	—	—	(20)
Third Quarter of 2010							
Revenue (a)	\$ 1,937	\$ 506	\$ (17)	\$ —	\$ —	\$ (17)	\$ 2,426
Income							
Income/(Loss) before income taxes	691	92	(17)	—	—	(17)	766
Provision for income taxes	243	33	(7)	—	—	(7)	269
Net income/(loss)	448	59	(10)	—	—	(10)	497
Other disclosures							
Depreciation on vehicles subject to operating leases	363	41	—	—	—	—	404
Interest expense	748	277	—	—	—	—	1,025
Provision for credit losses	(56)	3	—	—	—	—	(53)

(a) Total Revenue represents *Total financing revenue, Insurance premiums earned, net* and *Other income, net*.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 14. SEGMENT INFORMATION (Continued)

			Unallocated/Eliminations			Total	Total
	North America Segment	International Segment	Unallocated Risk Management	Effect of Sales of Receivables	Effect of Unearned Interest Supplements		
First Nine Months 2011							
Revenue (a)	\$ 5,076	\$ 1,591	\$ (81)	\$ —	\$ —	\$ (81)	\$ 6,586
Income							
Income/(Loss) before income taxes	1,723	251	(76)	—	—	(76)	1,898
Provision for income taxes	653	88	(27)	—	—	(27)	714
Net income/(loss)	1,070	163	(49)	—	—	(49)	1,184
Other disclosures							
Depreciation on vehicles subject to operating leases	1,042	194	—	—	—	—	1,236
Interest expense	1,839	842	(5)	—	—	(5)	2,676
Provision for credit losses	(103)	(6)	—	—	—	—	(109)
Net finance receivables and net investment in operating leases (b)	63,011	18,858	—	—	(1,749)	(1,749)	80,120
Total assets (b)	75,308	23,924	—	—	(1,749)	(1,749)	97,483
First Nine Months 2010							
Revenue (a)	\$ 6,306	\$ 1,590	\$ (7)	\$ (11)	\$ —	\$ (18)	\$ 7,878
Income							
Income/(Loss) before income taxes	2,224	265	(7)	—	—	(7)	2,482
Provision for income taxes	811	93	(3)	—	—	(3)	901
Net income/(loss)	1,413	172	(4)	—	—	(4)	1,581
Other disclosures							
Depreciation on vehicles subject to operating leases	1,405	115	—	—	—	—	1,520
Interest expense	2,346	893	—	(1)	—	(1)	3,238
Provision for credit losses	(268)	13	—	—	—	—	(255)
Net finance receivables and net investment in operating leases (c)	63,994	20,566	—	—	(1,997)	(1,997)	82,563
Total assets (c)	83,839	26,777	—	—	(1,997)	(1,997)	108,619

(a) Total Revenue represents *Total financing revenue, Insurance premiums earned, net and Other income, net*.

(b) Reflects balance at September 30, 2011.

(c) Reflects balance at September 30, 2010.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies consist primarily of lease commitments, guarantees and indemnifications, and litigation and claims.

Guarantees and Indemnifications

The carrying value of recorded liabilities related to guarantees are not material. We have estimated the probability of payment for each guarantee to be remote and have not recorded any loss accruals. At September 30, 2011 and December 31, 2010, the following guarantees and indemnifications were issued and outstanding:

Guarantees of Certain Obligations of Unconsolidated and Other Affiliates. In some cases, we have guaranteed debt and other financial obligations of unconsolidated affiliates, including Ford. Expiration dates vary, and guarantees will terminate on payment and/or cancellation of the obligation. A payment by us would be triggered by failure of the guaranteed party to fulfill its obligation covered by the guarantee. In some circumstances, we are entitled to recover from Ford or an affiliate of Ford amounts paid by us under the guarantee. However, our ability to enforce these rights is sometimes stayed until the guaranteed party is paid in full. The maximum potential payments under these guarantees totaled \$84 million and \$130 million at September 30, 2011 and December 31, 2010, respectively. Of these values, \$74 million and \$75 million at September 30, 2011 and December 31, 2010, respectively, were counter-guaranteed by Ford to us.

FCE has guaranteed obligations of Ford in Romania pursuant to four guarantees with maximum potential payments of \$737 million. Two of the guarantees have been fully collateralized by \$485 million of cash received from Blue Oval Holdings, a Ford U.K. subsidiary. This cash is available for use in FCE's daily operations, and is recorded as *Debt*. The other guarantees of \$252 million are not collateralized by Blue Oval Holdings, but are counter-guaranteed by Ford. These guarantees have an expiration date of August 25, 2012 and they could terminate on payment and/or cancellation of the obligations by Ford. A payment to the guaranteed party would be triggered by failure of Ford to fulfill its obligation covered by the guarantee.

Indemnifications. In the ordinary course of business, we execute contracts involving indemnifications standard in the industry and indemnifications specific to a transaction. These indemnifications might include and are not limited to claims relating to any of the following: environmental, tax and shareholder matters; intellectual property rights; governmental regulations and employment-related matters; dealers; other commercial contractual relationships; and financial matters, such as securitizations. Performance under these indemnities generally would be triggered by a breach of terms of the contract or by a third-party claim. We are party to numerous indemnifications which do not limit potential payment; therefore, we are unable to estimate a maximum amount of potential future payments that could result from claims made under these indemnities.

Litigation and Claims

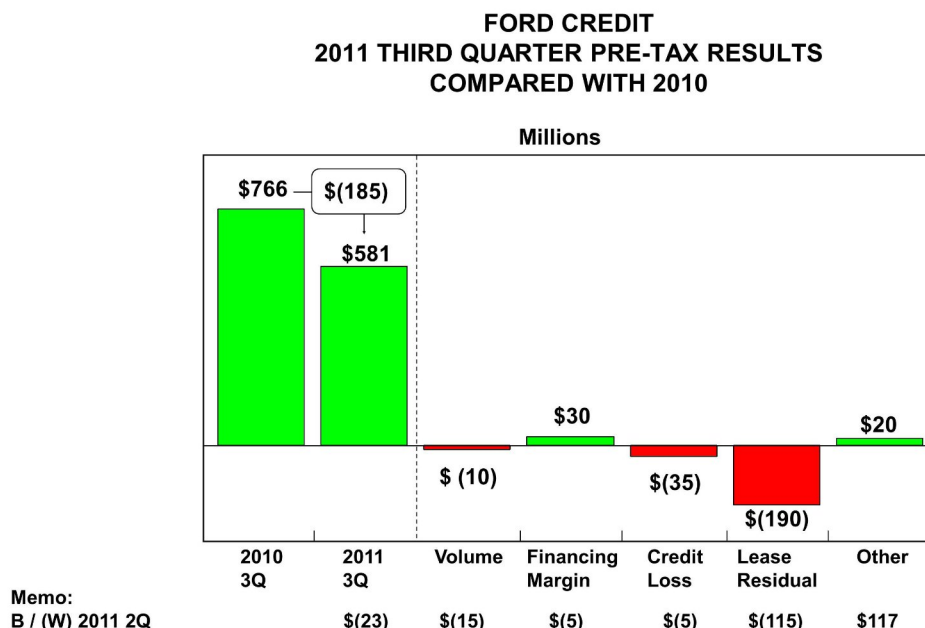
Various legal actions, governmental investigations and proceedings and claims are pending or may be instituted or asserted in the future against us including but not limited to those arising out of state and federal laws related to tax matters, financial services, employment-related matters, dealers, personal injury matters, investor matters, financial reporting matters and other contractual relationships. Certain of the pending legal actions are, or purport to be, class actions. Some of the foregoing matters involve or may involve compensatory, punitive, or treble damage claims in very large amounts, or other relief, which, if granted, would require very large expenditures.

Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not predictable with assurance. We have established accruals for certain of the matters discussed in the foregoing paragraph where losses are deemed probable and reasonably estimable. It is reasonably possible, however, that some of the matters discussed in the foregoing paragraph for which accruals have not been established could be decided unfavorably to us and could require us to pay damages or make other expenditures in amounts or a range of amounts that cannot be estimated at September 30, 2011. We do not reasonably expect, based on our analysis, that such matters would have a material effect on future financial statements for a particular year, although such an outcome is possible.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

On a pre-tax basis we earned \$581 million in the third quarter of 2011, compared with \$766 million a year ago. The chart below details the decrease in pre-tax operating profit by causal factor:



In line with our expectations, the results are more than explained by fewer leases being terminated and the related vehicles sold at a gain, and lower credit loss reserve reductions.

Ford Credit's pre-tax profit decreased by \$23 million compared with second quarter, more than explained by the same lease factors, offset partially by changes in market valuation adjustments to derivatives, included in Other.

Results of our operations by business segment and unallocated risk management for the third quarter and first nine months of 2011 and 2010 are shown below. For additional information on our unallocated risk management, see Note 14 of our Notes to the Financial Statements.

	Third Quarter			First Nine Months		
	2011	2010	2011 Over/(Under) 2010	2011	2010	2011 Over/(Under) 2010
Income/(Loss) before income taxes	(in millions)			(in millions)		
North America Segment	\$ 465	\$ 691	\$ (226)	\$ 1,723	\$ 2,224	\$ (501)
International Segment	84	92	(8)	251	265	(14)
Unallocated risk management	32	(17)	49	(76)	(7)	(69)
Income/(Loss) before income taxes	581	766	(185)	1,898	2,482	(584)
Provision for/(Benefit from) income taxes	231	269	(38)	714	901	(187)
Net income/(loss)	\$ 350	\$ 497	\$ (147)	\$ 1,184	\$ 1,581	\$ (397)

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The decrease in North America Segment pre-tax earnings is more than explained by fewer leases being terminated and the related vehicles sold at a gain, and lower credit loss reserve reductions.

The decrease in International Segment pre-tax results is more than explained by less favorable residual performance.

On a pre-tax basis, we earned \$1.9 billion in the first nine months of 2011 compared with \$2.5 billion a year ago primarily reflecting fewer leases being terminated and the related vehicles sold at a gain, and lower credit loss reserve reductions.

Contract Placement Volume and Financing Share

Total worldwide consumer financing contract placement volumes for new and used vehicles are shown below:

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
(in thousands)				
North America Segment				
United States	227	178	645	534
Canada	29	34	84	79
Total North America Segment	256	212	729	613
International Segment				
Europe	94	77	293	262
Other international	14	9	39	26
Total International Segment	108	86	332	288
Total contract placement volume	364	298	1,061	901

Shown below are our financing shares of new Ford and Lincoln brand vehicles sold by dealers in the United States and new Ford brand vehicles sold by dealers in Europe. Also shown below are our wholesale financing shares of new Ford and Lincoln brand vehicles acquired by dealers in the United States, excluding fleet, and of new Ford brand vehicles acquired by dealers in Europe:

	Third Quarter		First Nine Months	
	2011	2010	2011	2010
United States				
Financing share - Ford and Lincoln				
Retail installment and lease	38%	32%	36%	32%
Wholesale	79	81	81	81
Europe				
Financing share - Ford				
Retail installment and lease	30%	27%	28%	25%
Wholesale	99	99+	99	99

North America Segment

These increases primarily reflected higher Ford and Lincoln financing share and higher sales of new Ford and Lincoln vehicles. Higher Ford and Lincoln financing share was primarily explained by changes in Ford's marketing programs that favored us and by an improvement in our competitive position in the market.

International Segment

In the third quarter of 2011, our total contract placement volumes were up from a year ago, primarily reflecting higher financing share, mainly due to stronger marketing programs in Europe and higher contract volume due to growth in China.

In the first nine months of 2011, our total contract placement volumes were up from a year ago reflecting the factors mentioned above, partially offset by the transition of Mexico's retail financing business to another finance provider in the second quarter of 2010.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Financial Condition

Finance Receivables and Operating Leases

Our finance receivables and operating leases are shown below:

	September 30, 2011	December 31, 2010
	(in billions)	
Receivables		
Finance receivables – North America Segment		
<u>Consumer</u>		
Retail installment and direct financing leases	\$ 38.2	\$ 39.1
<u>Non-Consumer</u>		
Wholesale	13.5	13.3
Dealer loan and other	1.8	1.9
Total North America Segment – finance receivables (a)	53.5	54.3
Finance receivables – International Segment		
<u>Consumer</u>		
Retail installment and direct financing leases	9.6	10.6
<u>Non-Consumer</u>		
Wholesale	8.4	8.7
Dealer loan and other	0.4	0.4
Total International Segment – finance receivables (a)	18.4	19.7
Unearned interest supplements	(1.7)	(1.9)
Allowance for credit losses	(0.5)	(0.8)
Finance receivables, net	69.7	71.3
Net investment in operating leases (a)	10.4	10.0
Total receivables (b)	\$ 80.1	\$ 81.3
Memo:		
Total managed receivables (c)	\$ 81.8	\$ 83.2

- (a) At September 30, 2011 and December 31, 2010, includes consumer receivables before allowance for credit losses of \$34.7 billion and \$35.8 billion, respectively, and non-consumer receivables before allowance for credit losses of \$18.2 billion and \$18.7 billion, respectively, that have been sold for legal purposes in securitization transactions but continue to be included in our consolidated financial statements. In addition, at September 30, 2011 and December 31, 2010, includes net investment in operating leases before allowance for credit losses of \$4.7 billion and \$6.2 billion, respectively, that have been included in securitization transactions but continue to be included in our financial statements. The 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 our other obligations or the claims of our other creditors. We hold 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. For additional information on our securitization transactions, refer to the "Securitization Transactions" and "On-Balance Sheet Arrangements" sections of Item 7 of Part II of our 10-K Report and Note 6 of our Notes to the Financial Statements for the period ended December 31, 2010.
- (b) Includes allowance for credit losses of \$598 million and \$854 million at September 30, 2011 and December 31, 2010, respectively.
- (c) Excludes unearned interest supplements related to finance receivables.

Receivables decreased from year-end 2010, primarily due to the discontinuation of financing for Jaguar, Land Rover, Mazda and Volvo and changes in currency exchange rates. At September 30, 2011, these brands represented about 2% of our managed receivables. In addition, the Mercury financing portfolio represented about 2% of our managed receivables at September 30, 2011. These percentages will decline over time.

Managed receivables were about \$4 billion lower than the second quarter, reflecting primarily changes in currency exchange rates and lower dealer stock levels.

Credit Risk

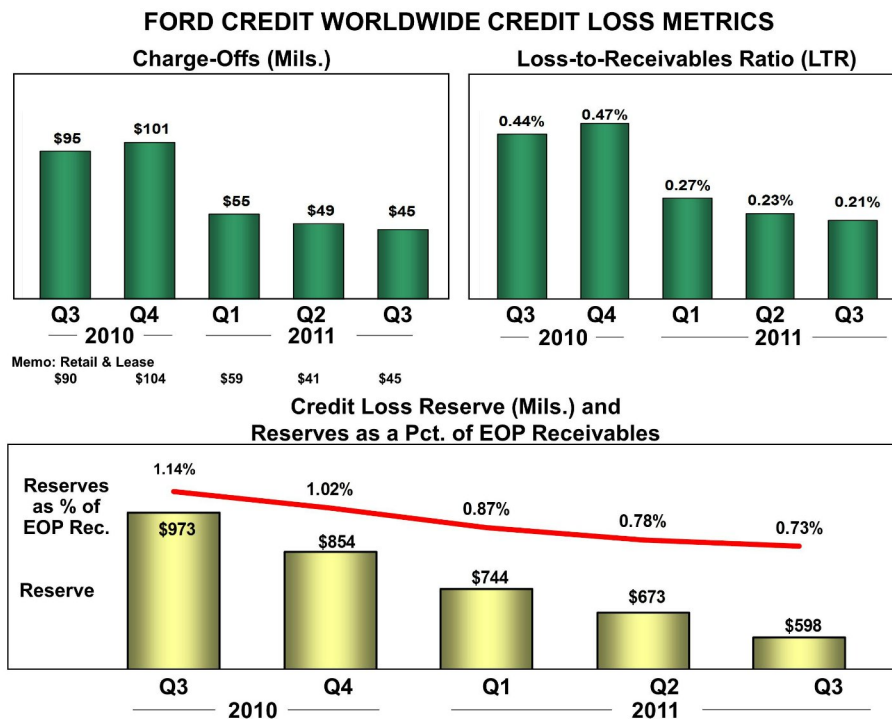
Credit risk is the possibility of loss from a customer's or dealer's failure to make payments according to contract terms. Credit risk has a significant impact on our business. We actively manage the credit risk of our consumer (retail installment and lease) and non-consumer (wholesale and dealer loan) segments to balance our level of risk and return. The allowance for credit losses (also referred to as the credit loss reserve) is our estimate of the probable credit losses inherent in receivables and leases at the date of our balance sheet. The allowance for credit losses is estimated using a combination of models and management judgment, and is based on such factors as portfolio quality, historical loss performance, and receivable levels. Consistent with our normal practices and policies, we assess the adequacy of our allowance for credit losses quarterly and regularly evaluate the assumptions and models used in establishing the allowance. A description of our allowance setting process is provided in the "Critical Accounting Estimates - Allowance for Credit Losses" section of Item 7 of Part II of our 2010 10-K Report.

In purchasing retail finance and lease contracts, we use a proprietary scoring system that classifies contracts using several factors, such as credit bureau information, credit bureau scores (e.g., FICO score), customer characteristics, and contract characteristics. In addition to our proprietary scoring system, we consider other factors, such as employment history, financial stability, and capacity to pay. At September 30, 2011 and December 31, 2010, between 5% - 6% of the outstanding U.S. retail finance and lease contracts in our portfolio were classified by us as high risk at contract inception. For additional information on the quality of our receivables, see Note 2 of our Notes to the Financial Statements.

Credit Loss Metrics

Worldwide

The chart below details quarterly trends of charge-offs (credit losses, net of recoveries), loss-to-receivables ratios (charge-offs on an annualized basis divided by the average amount of receivables outstanding for the period), credit loss reserve, and our credit loss reserve as a percentage of end-of-period ("EOP") receivables:



Charge-offs in the third quarter were \$45 million, down \$50 million from the same period a year ago, reflecting lower repossessions in the United States and lower losses in Europe and Latin America, partially offset by lower recoveries in the United States. Charge-offs were down \$4 million from second quarter 2011, reflecting lower losses in Europe and Asia Pacific, offset partially by higher repossessions and lower recoveries in the United States.

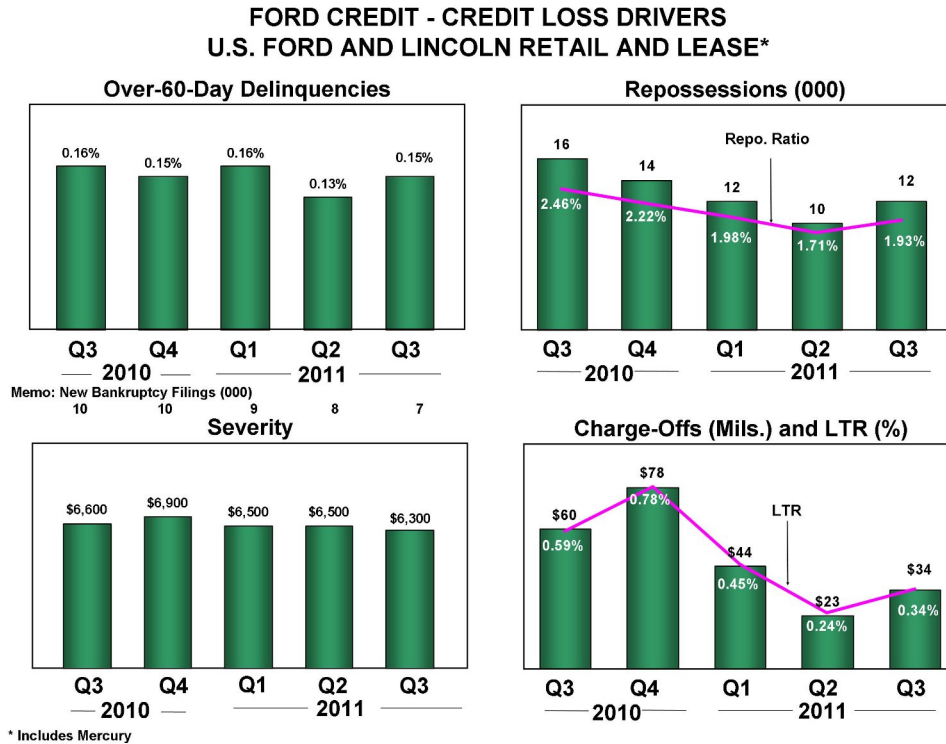
Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The third quarter loss-to-receivables ratio continues to perform at historically low levels. The loss-to-receivables ratio was down from the same period a year ago and down from the second quarter 2011 reflecting the same factors discussed above.

The credit loss reserve was \$598 million, down \$375 million from a year ago and down \$75 million from second quarter 2011 reflecting the decrease in charge-offs.

U.S. Ford and Lincoln Brand Retail Installment and Operating Lease

The following chart shows the credit loss metrics for our U.S. Ford and Lincoln brand retail installment sale and operating lease portfolio which comprised approximately 70% of our worldwide consumer portfolio at September 30, 2011.



Over-60-day delinquencies were 0.15% in the third quarter, down one basis point from the same period a year ago.

Repossessions in the third quarter were 12,000 units or 1.93% of average accounts outstanding, up slightly reflecting seasonality.

Severity of \$6,300 in the third quarter was \$300 lower than the same period a year ago and \$200 lower than second quarter 2011 primarily reflecting improvements in auction values in the used vehicle market, offset partially by a higher mix of 72-month contracts.

The loss-to-receivables ratio in the third quarter decreased from the same period a year ago reflecting lower repossessions offset partially by lower recoveries. The loss-to-receivables ratio was higher than second quarter 2011 due to higher repossessions and lower recoveries.

Charge-offs in the third quarter were \$34 million, down \$26 million from the same period a year ago and up \$11 million from the second quarter of 2011 reflecting the same factors discussed above.

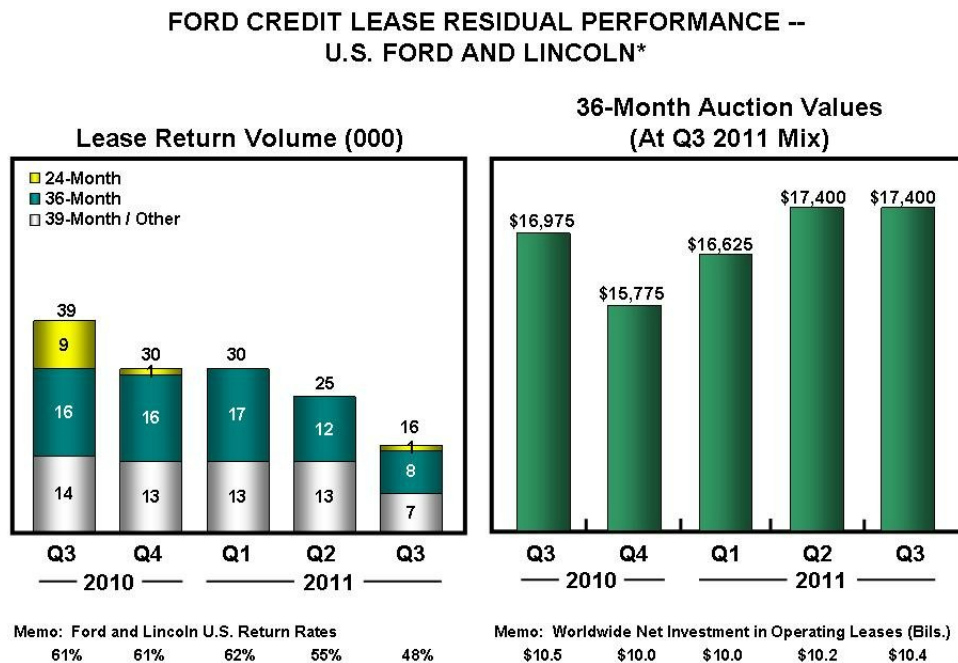
Residual Risk

We are exposed to residual risk on operating leases and similar balloon payment products where the customer may return the financed vehicle to us. Residual risk is the possibility that the amount we obtain from returned vehicles will be less than our estimate of the expected residual value for the vehicle. We estimate the expected residual value by evaluating recent auction values, return volumes for our leased vehicles, industry-wide used vehicle prices, marketing incentive plans, and vehicle quality data.

For additional information on our residual risk on operating leases, refer to the "Critical Accounting Estimates - Accumulated Depreciation on Vehicles Subject to Operating Leases" section of Item 7 of Part II of our 2010 10-K Report.

U.S. Ford and Lincoln Brand Retail Operating Lease Experience

The following chart shows return volumes for our U.S. Ford and Lincoln brand operating lease portfolio, which accounted for about 82% of our total investment in operating leases at September 30, 2011. Also included are auction values at constant third quarter 2011 vehicle mix for 36-month lease terms returned in the third quarter:



* Includes Mercury

Lease return volumes in the third quarter at 16,000 were almost 60% lower than the same period last year, reflecting primarily fewer terminations and a lower return rate. The third quarter lease return rate was 48%, down 13 percentage points compared with the same period last year and down 7 percentage points compared with the second quarter of 2011.

In the third quarter, our strong auction values for 36-month vehicles continued; up \$425 per unit from the same period last year and equal to the second quarter.

Our worldwide net investment in operating leases was \$10.4 billion at the end of the third quarter, up from \$10.2 billion in the second quarter.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Credit Ratings

Our short-term and long-term debt is rated by four credit rating agencies designated as nationally recognized statistical rating organizations ("NRSROs") by the SEC:

- DBRS Limited ("DBRS");
- Fitch, Inc. ("Fitch");
- Moody's Investors Service, Inc. ("Moody's"); and
- Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P").

The following chart summarizes changes in long-term senior unsecured credit ratings, short-term credit ratings, and the outlook assigned to us since January 2010 by these four NRSROs:

NRSRO RATINGS												
	DBRS			Fitch			Moody's			S&P		
Date	Long-Term	Short-Term	Trend	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook
Jan. 2010	B	R-5	Stable	B+	B	Positive	B3	NP	Review	B-	NR	Stable
Mar. 2010	B (high)	R-4	Positive	B+	B	Positive	B1	NP	Review	B-	NR	Stable
Apr. 2010	B (high)	R-4	Positive	BB-	B	Positive	B1	NP	Review	B-	NR	Positive
May 2010	B (high)	R-4	Positive	BB-	B	Positive	Ba3	NP	Stable	B-	NR	Positive
Aug. 2010	BB	R-4	Stable	BB-	B	Stable	Ba3	NP	Stable	B+	NR	Positive
Oct. 2010	BB	R-4	Stable	BB-	B	Stable	Ba2	NP	Stable	B+	NR	Positive
Jan. 2011	BB	R-4	Stable	BB-	B	Positive	Ba2	NP	Positive	B+	NR	Positive
Feb. 2011	BB	R-4	Stable	BB-	B	Positive	Ba2	NP	Positive	BB-	NR	Positive
Sep. 2011	BB (high)	R-4	Stable	BB-	B	Positive	Ba2	NP	Positive	BB-	NR	Positive
Oct. 2011	BB (high)	R-4	Stable	BB+	B	Positive	Ba1	NP	Positive	BB+*	NR	Stable

* S&P assigns FCE Bank plc ("FCE") a long-term senior unsecured credit rating of BBB-, maintaining a one notch differential versus Ford Credit.

Funding

Overview

Our full year funding plan is largely complete despite challenging market conditions. Our funding strategy remains focused on diversification, and we plan to continue accessing a variety of markets, channels and investors. Our liquidity remains strong, and we will maintain cash balances and committed capacity that meets our business and funding requirements in all global market conditions. Ford Credit's ratings were recently upgraded by S&P, Moody's, and Fitch, including S&P's upgrade of FCE Bank to investment grade.

In the third quarter, we completed \$7 billion of funding, including \$4 billion in the public market and \$3 billion of private securitizations. We have completed another \$5 billion of funding in October and November, including our second public floorplan and lease transactions and our fourth unsecured transaction in the United States. Year to date we have completed \$29 billion of funding. Included in these numbers is about \$650 million issued under our unsecured retail notes program.

The public retail securitization transactions completed to date include \$2.5 billion from our FUEL notes program. These are 5-year notes backed by automotive retail finance receivables. The FUEL notes will be mandatorily exchanged for Ford Credit unsecured notes having the same maturity and interest rate upon Ford Credit's senior unsecured debt receiving two investment grade credit ratings among S&P, Moody's and Fitch. After the mandatory exchange, Ford Credit expects to reacquire the assets supporting the FUEL notes.

We also renewed \$5 billion of committed capacity in the third quarter and about \$20 billion year to date. We have now completed most of the renewals for 2011, and continue to see lower costs across our facilities.

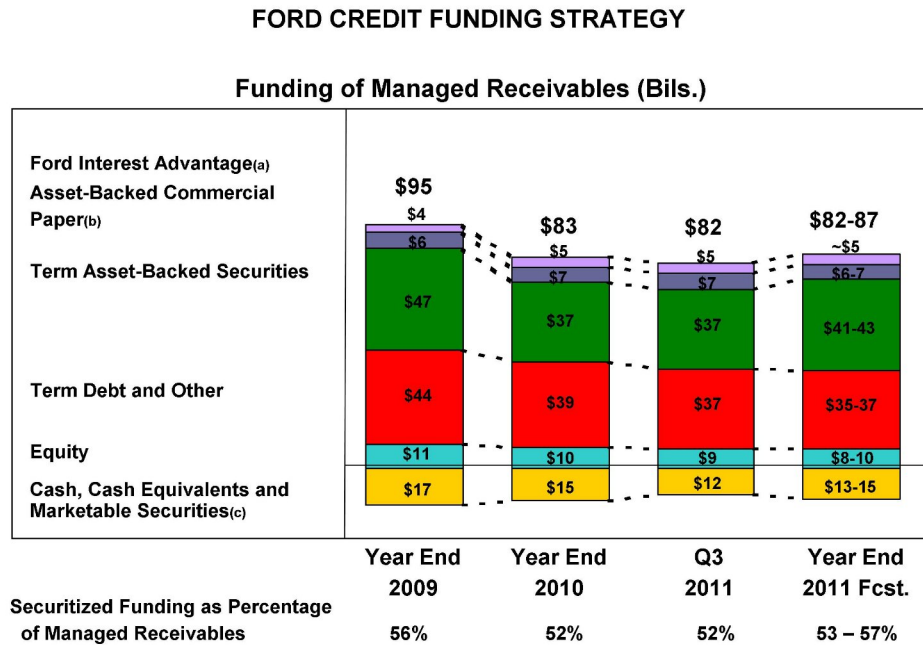
Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Government-Sponsored Securitization Funding Programs

U.S. Federal Reserve's Term Asset-Backed Securities Loan Facility ("TALF"). TALF began in March 2009 to make credit available by restoring liquidity in the asset-backed securitization market. TALF expired in March 2010. At September 30, 2011, the outstanding balance of our asset-backed securities that were TALF-eligible at issuance was \$6.0 billion, compared with \$7.7 billion at December 31, 2010 reflecting the amortization of about \$1.7 billion through the third quarter of 2011. The outstanding balance of our asset-backed securities that were TALF-eligible at issuance will decline to zero over time as the debt continues to amortize and no new securities are issued.

Funding Portfolio

The following chart shows the trends in funding for our managed receivables:



(a) The Ford Interest Advantage program consists of our floating rate demand notes.

(b) Obligations issued in securitization transactions that are payable only out of collections on the underlying securitized assets and related enhancements.

(c) Excludes marketable securities related to insurance activities

At the end of the third quarter, managed receivables were \$82 billion. We ended the quarter with \$12 billion in cash, and securitized funding was 52% of managed receivables. We are projecting 2011 year-end managed receivables in the range of \$82 billion to \$87 billion and securitized funding is expected to represent about 53% to 57% of total managed receivables.

It is our expectation that this percentage will decline moving forward due to our ability to source term funding from the unsecured markets at favorable terms and the effect of the FUEL notes converting to unsecured.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Term Funding Plan

The following chart shows our public and private term funding issuances in 2010 and transactions scheduled to settle through November 3, 2011, and our planned issuances for full year 2011:

FORD CREDIT TERM FUNDING PLAN

	2009 <u>Actual</u> (Bils.)	2010 <u>Actual</u> (Bils.)	2011	
			<u>Forecast</u> (Bils.)	YTD <u>Actual*</u> (Bils.)
Public Transactions**				
Unsecured	\$ 5	\$ 6	\$ 6 – 8	\$ 7
Securitizations***	<u>15</u>	<u>11</u>	<u>11 – 12</u>	<u>10</u>
Total Public	\$ 20	\$ 17	\$ 17 – 20	\$ 17
Private Transactions****	\$ 11	\$ 8	\$ 12 – 14	\$ 12

(a) Includes transactions scheduled to settle through November 3, 2011

(b) Includes 144a offerings

(c) Includes FUEL Notes issuance in 2011

(d) 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)

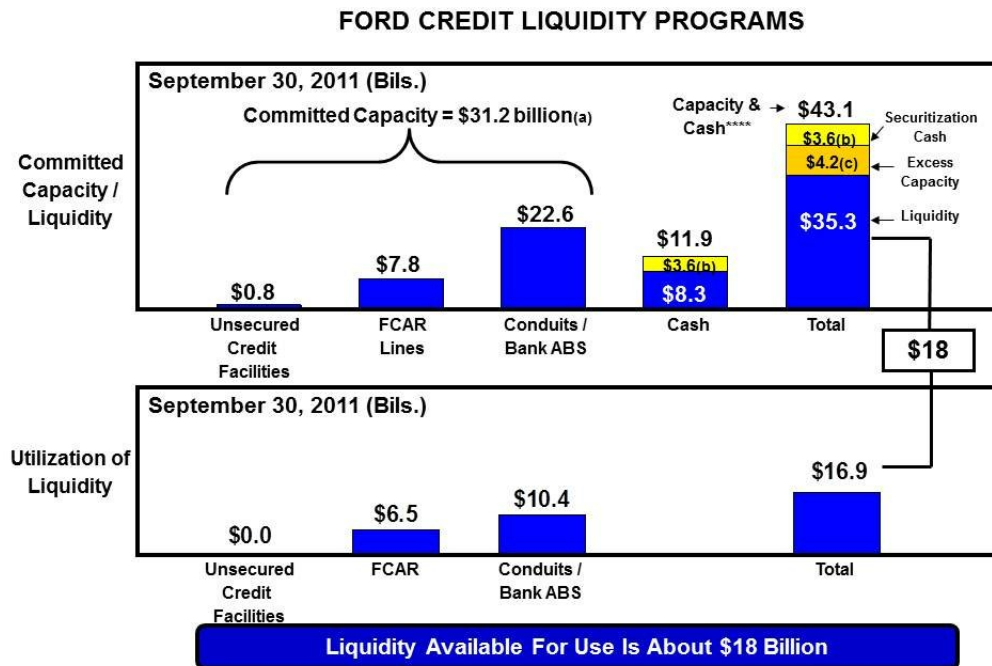
Year to date, we have completed \$29 billion of term funding. About \$17 billion of this was public funding in the United States, Canada and Europe, including about \$7 billion of unsecured debt and two FUEL issuances totaling \$2.5 billion. We have also completed about \$12 billion of funding through our private securitization channels across all of our major asset classes and regions. We project full year public term funding in the range of \$17 billion to \$20 billion, consisting of \$6 billion to \$8 billion of unsecured debt and \$11 billion to \$12 billion of public securitizations.

In addition to the public issuance, we are projecting \$12 billion to \$14 billion of funding from our private sources. Based on the market environment and our recent upgrades from S&P, Moody's and Fitch we will continue to evaluate markets and our funding mix.

Liquidity

We define liquidity as cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) and capacity (which includes capacity in our committed liquidity programs, our FCAR Owner Trust retail securitization program ("FCAR"), and credit facilities), less asset-backed capacity in excess of eligible receivables and cash and cash equivalents required to support securitization transactions. We have multiple sources of liquidity, including committed asset-backed funding capacity.

The following chart details our liquidity programs and utilization:



- (a) 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 include other committed securitization programs.
- (b) Securitization cash is to be used only to support on-balance sheet securitization transactions.
- (c) Excess capacity is capacity in excess of eligible receivables.
- (d) Cash, cash equivalents, and marketable securities (excludes marketable securities related to insurance activities).

As of September 30, 2011 we had \$43.1 billion of committed capacity and cash. After excluding securitization cash and adjusting for available assets, liquidity was \$35.3 billion, of which \$16.9 billion was utilized, leaving about \$18 billion of liquidity available for use. Committed capacity at the end of the third quarter was \$31.2 billion, \$700 million lower than second quarter. Our renewal strategy is to continue to protect our global funding needs.

We ended the quarter with about \$4.2 billion of excess committed capacity, providing a funding source for future originations and flexibility to transfer capacity among markets and asset classes where most needed.

At September 30, 2011, our liquidity available for use was lower than year-end 2010 by about \$4.2 billion, reflecting cash payments for debt maturities, repurchases and calls, distributions, and tax payments that were higher than the liquidity generated from profits and new debt issuances.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Cash, Cash Equivalents, and Marketable Securities. At September 30, 2011, our cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) totaled \$11.9 billion, compared with \$14.6 billion at year-end 2010. In the normal course of our funding activities, we may generate more proceeds than are required for our immediate funding needs. These excess amounts are maintained primarily as highly liquid investments, which provide liquidity for our short-term funding needs and give us flexibility in the use of our other funding programs. Our cash, cash equivalents, and marketable securities (excluding marketable securities related to insurance activities) primarily include U.S. Treasury obligations, federal agency securities, bank time deposits, investment-grade corporate securities, A-1/P-1 (or higher) rated commercial paper, debt obligations of certain foreign governments, foreign government agencies, supranational institutions and money market funds that carry the highest possible ratings. The average maturity of these investments ranges from 90 days to up to one-year and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Cash, cash equivalents, and marketable securities include amounts to be used only to support our securitization transactions of \$3.6 billion at September 30, 2011 and \$4.2 billion at December 31, 2010.

Our substantial liquidity and cash balance have provided the opportunity to selectively call and repurchase our unsecured debt on the open market. In the third quarter of 2011, we called about \$200 million of our unsecured debt maturities and repurchased about \$600 million. Through September 30, 2011, we called about \$1.1 billion of our unsecured debt maturities and repurchased about \$1.2 billion.

Committed Liquidity Programs. We and our subsidiaries, including FCE, have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions. Such counterparties are contractually committed, at our option, to purchase from us eligible retail or wholesale assets or to purchase or make advances under asset-backed securities backed by retail, lease, or wholesale assets for proceeds of up to \$22.6 billion at September 30, 2011 (\$11.0 billion retail, \$8.0 billion wholesale, and \$3.6 billion lease assets) of which about \$6.6 billion are commitments to FCE. These committed liquidity programs have varying maturity dates, with \$20.5 billion having maturities within the next twelve months (of which \$5.3 billion relates to FCE commitments), and the remaining balance having maturities between October 2012 and August 2014. We plan to achieve capacity renewals to protect our global funding needs, optimize capacity utilization and maintain sufficient liquidity.

Our ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs as well as our ability to obtain interest rate hedging arrangements for certain securitization transactions. Our capacity in excess of eligible receivables protects us against the risk of lower than planned renewal rates. At September 30, 2011, \$10.4 billion of these commitments were in use. These programs are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements), and generally, credit rating triggers that could limit our ability to obtain funding. However, the unused portion of these commitments may be terminated if the performance of the underlying assets deteriorates beyond specified levels. Based on our experience and knowledge as servicer of the related assets, we do not expect any of these programs to be terminated due to such events.

Credit Facilities. At September 30, 2011, we and our majority-owned subsidiaries had about \$780 million of contractually committed unsecured credit facilities with financial institutions, including FCE's £440 million (equivalent to \$686 million at September 30, 2011) credit facility (the "FCE Credit Agreement"). At September 30, 2011, we had \$735 million available for use, of which \$2 million expire in 2011, \$47 million expire in 2012 and \$686 million expire in 2014. The FCE Credit Agreement contains certain covenants, including an obligation for FCE to maintain its ratio of regulatory capital to risk weighted assets at no less than the applicable regulatory minimum, and for the support agreement between FCE and us to remain in full force and effect (and enforced by FCE to ensure that its net worth is maintained at no less than \$500 million). In addition to customary payment, representation, bankruptcy, and judgment defaults, the FCE Credit Agreement contains cross-payment and cross-acceleration defaults with respect to other debt.

In addition, at September 30, 2011, we had about \$7.8 billion of contractually committed liquidity facilities provided by banks to support our FCAR program, of which \$4.3 billion expire in 2012 and \$3.5 billion expire in 2014. Utilization of these facilities is subject to conditions specific to the FCAR program and our having a sufficient amount of eligible retail assets for securitization. The FCAR program must be supported by liquidity facilities equal to at least 100% of its outstanding balance. At September 30, 2011, about \$7.8 billion of FCAR's bank liquidity facilities were available to support FCAR's asset-backed commercial paper, subordinated debt, or FCAR's purchase of our asset-backed securities. At September 30, 2011, the outstanding commercial paper balance for the FCAR program was \$6.5 billion.

Liquidity Risks

Refer to the "Liquidity" section of Item 7 of Part II of our 2010 10-K Report for a list of factors that could affect our liquidity.

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Leverage

We use leverage, or the debt-to-equity ratio, to make various business decisions, including evaluating and establishing pricing for retail, wholesale, and lease financing, and assessing our capital structure. We refer to our shareholder's interest as equity.

The following table shows the calculation of our financial statement leverage (in billions, except for ratios):

	September 30, 2011	December 31, 2010
Total debt	\$ 80.6	\$ 82.9
Equity	8.7	10.3
Financial statement leverage (to 1)	9.2	8.0

The following table shows the calculation of our managed leverage (in billions, except for ratios):

	September 30, 2011	December 31, 2010
Total debt	\$ 80.6	\$ 82.9
Adjustments for cash, cash equivalents, and marketable securities (a)	(11.9)	(14.6)
Adjustments for derivative accounting (b)	(0.7)	(0.3)
Total adjusted debt	\$ 68.0	\$ 68.0
Equity	\$ 8.7	\$ 10.3
Adjustments for derivative accounting (b)	(0.2)	(0.1)
Total adjusted equity	\$ 8.5	\$ 10.2
Managed leverage (to 1) (c)	8.0	6.7

(a) Excludes marketable securities related to insurance activities.

(b) Primarily related to market valuation adjustments to derivatives due to movements in interest rates. Adjustments to debt are related to designated fair value hedges and adjustments to equity are related to retained earnings.

(c) Equals total adjusted debt over total adjusted equity.

We plan our managed leverage by considering prevailing market conditions and the risk characteristics of our business. At September 30, 2011, our managed leverage was 8.0 to 1 compared with 6.7 to 1 at December 31, 2010, significantly below the threshold of 11.5 to 1 set forth in the Amended and Restated Support Agreement with Ford. By mid-decade, we expect our leverage to be in the range of 10 - 11 to 1. Through September 30, 2011 we paid \$2.7 billion in distributions to our parent, Ford Holdings LLC. For additional information on our planned distributions, refer to the "Outlook" section.

Accounting Standards Issued But Not Yet Adopted

For information on accounting standards issued but not yet adopted, see Note 1 of our Notes to the Financial Statements.

Outlook

For full year 2011, we continue to expect to be solidly profitable but at a lower level than in 2010, reflecting fewer leases being terminated and the related vehicles sold at a gain, and lower credit loss reserve reductions. Of our \$581 million pre-tax profit in the third quarter of 2011, the profit contribution related to lease gains and credit loss reserve reductions is about \$165 million. The profit contribution related to these factors is expected to be around \$80 million in the fourth quarter; these factors are not expected to be significant in 2012.

At year-end 2011, we anticipate managed receivables to be in the range of \$82 billion to \$87 billion.

In the third quarter, we paid \$800 million of distributions to our parent, Ford Holdings LLC. Year to date we have paid \$2.7 billion of distributions and expect to pay about \$3 billion in total during 2011. We will continue to assess future distributions based on our available liquidity and managed leverage objectives.

Cautionary Statement Regarding Forward Looking Statements

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:

- 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 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;

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations (Continued)

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 financial 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 and other 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.

Other Financial Information

With respect to the unaudited financial information of Ford Motor Credit Company LLC as of September 30, 2011 and for the three-month periods ended September 30, 2011 and 2010 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated November 4, 2011 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited financial information because that report is not a "report" or a "part" of the registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In our 2010 10-K Report, we discuss in greater detail our market risk, counter-party risk, credit risk, residual risk, liquidity risk, and operating risk.

To provide a quantitative measure of the sensitivity of our pre-tax cash flow to changes in interest rates, we use interest rate scenarios that assume a hypothetical, instantaneous change in interest rates of 100 basis points (or 1%) across all maturities, as well as a base case that assumes that interest rates remain constant at existing levels. These interest rate scenarios are purely hypothetical and do not represent our view of future interest rate movements. The differences in pre-tax cash flow between these scenarios and the base case over a twelve-month period represent an estimate of the sensitivity of our pre-tax cash flow. Under this model, we estimate that at September 30, 2011, all else constant, such an increase in interest rates would increase our pre-tax cash flow by \$56 million over the next twelve months, compared with a decrease of \$22 million at December 31, 2010. The sensitivity analysis presented above assumes a one-percentage point interest rate change to the yield curve that is both instantaneous and parallel. In reality, interest rate changes are rarely instantaneous or parallel and rates could move more or less than the one percentage point assumed in our analysis. As a result, the actual impact to pre-tax cash flow could be higher or lower than the results detailed above.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Michael E. Bannister, our Chairman of the Board and Chief Executive Officer ("CEO"), and Michael L. Seneski, our Chief Financial Officer ("CFO") and Treasurer, have performed an evaluation of the Company's disclosure controls and procedures, as that term is defined in Rule 13a-15 (e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of September 30, 2011 and each has concluded that such disclosure controls and procedures are effective to ensure that information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in internal control over financial reporting during the quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

We have none to report.

ITEM 6. EXHIBITS

Exhibits: please refer to the Exhibit Index on page 54.

Instruments defining the rights of holders of certain issues of long-term debt of Ford Credit have not been filed as exhibits to this Report because the authorized principal amount of any one of such issues does not exceed 10% of the total assets of Ford Credit. Ford Credit will furnish a copy of each such instrument to the SEC upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Ford Motor Credit Company LLC has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

FORD MOTOR CREDIT COMPANY LLC

By: /s/ Michael L. Seneski
Michael L. Seneski
Chief Financial Officer and Treasurer

Date: November 4, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholder of
Ford Motor Credit Company LLC:

We have reviewed the accompanying consolidated balance sheet of Ford Motor Credit Company LLC and its subsidiaries (the "Company") as of September 30, 2011 and 2010, and the related consolidated statement of operations and consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2011 and 2010 and the consolidated statement of cash flows for the nine-month periods ended September 30, 2011 and 2010. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2010, and the related consolidated statements of operations, of shareholder's interest, and of cash flows for the year then ended (not presented herein), and in our report dated February 28, 2011, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet information as of December 31, 2010, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan
November 4, 2011

FORD MOTOR CREDIT COMPANY LLC

EXHIBIT INDEX

Designation	Description	Method of Filing
Exhibit 12	Ford Motor Credit Company LLC and Subsidiaries Calculation of Ratio of Earnings to Fixed Charges	Filed with this Report
Exhibit 15	Letter of PricewaterhouseCoopers LLP, dated November 4, 2011, relating to Unaudited Interim Financial Information	Filed with this Report
Exhibit 31.1	Rule 15d-14(a) Certification of CEO	Filed with this Report
Exhibit 31.2	Rule 15d-14(a) Certification of CFO	Filed with this Report
Exhibit 32.1	Section 1350 Certification of CEO	Furnished with this Report
Exhibit 32.2	Section 1350 Certification of CFO	Furnished with this Report
Exhibit 99	Items 2 - 4 of Part I and Items 1, 2, and 5 of Part II of Ford Motor Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2011	Incorporated herein by reference to Ford Motor Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011. File No. 1-3950.
Exhibit 101.INS	XBRL Instance Document	Furnished with this Report *
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document	Furnished with this Report *
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	Furnished with this Report *
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document	Furnished with this Report *
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	Furnished with this Report *
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	Furnished with this Report *

* Submitted electronically with this Report.

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES
CALCULATION OF RATIO OF EARNINGS TO FIXED CHARGES

	First Nine Months	For the Years Ended December 31,		
	2011	2010	2009	2008
(in millions)				
Earnings				
Income/(Loss) before income taxes	\$ 1,898	\$ 3,054	\$ 2,001	\$ (2,559)
Less: Equity in net income of affiliated companies	14	12	1	8
Fixed charges	2,684	4,233	5,174	7,648
Earnings before fixed charges	<u>\$ 4,568</u>	<u>\$ 7,275</u>	<u>\$ 7,174</u>	<u>\$ 5,081</u>
Fixed charges (a)				
Interest expense	\$ 2,676	\$ 4,222	\$ 5,162	\$ 7,634
Rents	8	11	12	14
Total fixed charges	<u>\$ 2,684</u>	<u>\$ 4,233</u>	<u>\$ 5,174</u>	<u>\$ 7,648</u>
Ratio of earnings to fixed charges	1.70	1.72	1.39	(b)

(a) Consists of interest on borrowed funds, amortization of debt discount, premium, and issuance expense, and one-third of all rental expense (the proportion deemed representative of the interest factor).

(b) Earnings inadequate to cover fixed charges by \$2,567 million.

November 4, 2011

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: Ford Motor Credit Company LLC Registration Statement No. 333-168720 and 333-159107 on Form S-3

Commissioners:

We are aware that our report dated November 4, 2011 on our review of interim financial information of Ford Motor Credit Company LLC (the "Company") for the three-month and nine-month periods ended September 30, 2011 and September 30, 2010 and included in the Company's quarterly report on Form 10-Q for the quarter ended September 30, 2011 is incorporated by reference in its aforementioned Registration Statements.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan

CERTIFICATION

I, Michael E. Bannister, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of Ford Motor Credit Company LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

/s/ Michael E. Bannister

Michael E. Bannister
Chairman of the Board and Chief Executive Officer

CERTIFICATION

I, Michael L. Seneski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of Ford Motor Credit Company LLC;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

/s/ Michael L. Seneski
Michael L. Seneski
Chief Financial Officer and Treasurer

FORD MOTOR CREDIT COMPANY LLC

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael E. Bannister, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company LLC (the "Company"), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ Michael E. Bannister

Michael E. Bannister

Chairman of the Board and Chief Executive Officer

Date: November 4, 2011

FORD MOTOR CREDIT COMPANY LLC

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Michael L. Seneski, Chief Financial Officer and Treasurer of Ford Motor Credit Company LLC (the "Company"), hereby certify pursuant to Rule 15d-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, to which this statement is furnished as an exhibit (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael L. Seneski

Michael L. Seneski

Chief Financial Officer and Treasurer

Date: November 4, 2011