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

FORM 10-Q

(Mark One)

[X]

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

For the quarterly period ended June 30, 2007

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange 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.

EXHIBIT INDEX APPEARS AT PAGE 36

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

For the Periods Ended June 30, 2007 and 2006

(in millions)

	Second Quarter		First Half	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Financing revenue				
Operating leases	\$ 1,554	\$ 1,370	\$ 3,049	\$ 2,700
Retail	837	925	1,696	1,832
Interest supplements and other support costs earned from affiliated companies	1,125	806	2,192	1,582
Wholesale	552	642	1,092	1,241
Other	<u>43</u>	<u>56</u>	<u>90</u>	<u>110</u>
Total financing revenue	4,111	3,799	8,119	7,465
Depreciation on vehicles subject to operating leases	(1,450)	(1,264)	(2,925)	(2,445)
Interest expense	<u>(2,166)</u>	<u>(1,907)</u>	<u>(4,315)</u>	<u>(3,700)</u>
Net financing margin	495	628	879	1,320
Other revenue				
Investment and other income related to sales of receivables	102	190	211	373
Insurance premiums earned, net	43	51	87	102
Other income, net	<u>42</u>	<u>113</u>	<u>418</u>	<u>135</u>
Total financing margin and other revenue	682	982	1,595	1,930
Expenses				
Operating expenses	450	490	1,006	1,009
Provision for credit losses (Note 4)	82	(7)	128	(2)
Insurance expenses	<u>38</u>	<u>64</u>	<u>55</u>	<u>106</u>
Total expenses	<u>570</u>	<u>547</u>	<u>1,189</u>	<u>1,113</u>
Income from continuing operations before income taxes	112	435	406	817
Provision for income taxes	<u>50</u>	<u>131</u>	<u>151</u>	<u>265</u>
Income from continuing operations before minority interests	62	304	255	552
Minority interests in net income of subsidiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>\$ 62</u>	<u>\$ 304</u>	<u>\$ 255</u>	<u>\$ 552</u>

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)

	June 30, 2007	December 31, 2006
	(Unaudited)	
ASSETS		
Cash and cash equivalents (Note 1)	\$ 14,446	\$ 12,331
Marketable securities	2,877	10,161
Finance receivables, net (Note 2)	111,881	109,405
Net investment in operating leases (Note 3)	28,072	25,939
Retained interest in securitized assets	868	990
Notes and accounts receivable from affiliated companies	1,117	950
Derivative financial instruments (Note 8)	1,031	1,804
Other assets	<u>5,169</u>	<u>5,752</u>
Total assets	<u>\$ 165,461</u>	<u>\$ 167,332</u>
LIABILITIES AND SHAREHOLDER'S INTEREST/EQUITY		
Liabilities		
Accounts payable		
Customer deposits, dealer reserves and other	\$ 1,715	\$ 1,509
Affiliated companies	<u>2,715</u>	<u>3,648</u>
Total accounts payable	4,430	5,157
Debt (Note 6)	137,746	139,740
Deferred income taxes	6,205	6,783
Derivative financial instruments (Note 8)	756	296
Other liabilities and deferred income	<u>3,942</u>	<u>3,588</u>
Total liabilities	153,079	155,564
Minority interests in net assets of subsidiaries	3	3
Shareholder's interest/equity		
Capital stock and paid-in surplus	—	5,149
Shareholder's interest	5,149	—
Accumulated other comprehensive income	1,235	825
Retained earnings	<u>5,995</u>	<u>5,791</u>
Total shareholder's interest/equity	<u>12,379</u>	<u>11,765</u>
Total liabilities and shareholder's interest/equity	<u>\$ 165,461</u>	<u>\$ 167,332</u>

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 SHAREHOLDER'S INTEREST/EQUITY
(in millions)

	Capital Stock & Paid-in Surplus	Share- holder's Interest	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)			Total
				Unrealized Gain/(Loss) on Assets	Foreign Currency Translation	Derivative Instruments	
Balance at December 31, 2005	\$ 5,142	\$ —	\$ 5,871	\$ 155	\$ 188	\$ 48	\$11,404
2006 comprehensive income/(loss) activity:							
Net income	—	—	552	—	—	—	552
Value of retained interest in securitized assets, net of tax	—	—	—	4	—	—	4
Change in marketable securities, net of tax	—	—	—	(12)	—	—	(12)
Foreign currency translation	—	—	—	—	373	—	373
Change in derivative instruments, net of tax	—	—	—	—	8	(21)	(13)
Total comprehensive income/(loss), net of tax	—	—	552	(8)	381	(21)	904
Cash dividends paid in 2006 and dividend transfer	—	—	(650)	—	—	—	(650)
Balance at June 30, 2006	<u>\$ 5,142</u>	<u>\$ —</u>	<u>\$ 5,773</u>	<u>\$ 147</u>	<u>\$ 569</u>	<u>\$ 27</u>	<u>\$11,658</u>
Balance at December 31, 2006	\$ 5,149	\$ —	\$ 5,791	\$ 93	\$ 720	\$ 12	\$11,765
Adjustment for the adoption of FIN 48	—	—	(51)	—	—	—	(51)
Conversion of capital stock and paid-in surplus to shareholder's interest	(5,149)	5,149	—	—	—	—	—
2007 comprehensive income/(loss) activity:							
Net income	—	—	255	—	—	—	255
Value of retained interest in securitized assets, net of tax	—	—	—	(2)	—	—	(2)
Change in marketable securities, net of tax	—	—	—	(29)	—	—	(29)
Foreign currency translation	—	—	—	—	449	—	449
Change in derivative instruments, net of tax	—	—	—	—	—	(8)	(8)
Total comprehensive income/(loss), net of tax	—	—	255	(31)	449	(8)	665
Cash dividends paid in 2007 and dividend transfer	—	—	—	—	—	—	—
Balance at June 30, 2007	<u>\$ —</u>	<u>\$ 5,149</u>	<u>\$ 5,995</u>	<u>\$ 62</u>	<u>\$ 1,169</u>	<u>\$ 4</u>	<u>\$12,379</u>

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 June 30, 2007 and 2006
(in millions)

	First Half	
	2007	2006
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 255	\$ 552
Adjustments to reconcile net income to net cash provided by operations		
Provision for credit losses	128	(2)
Depreciation and amortization	3,296	2,583
Net gain on sales of finance receivables	(5)	(54)
Net change in deferred income taxes	(538)	(190)
Net change in other assets	511	371
Net change in other liabilities	(321)	782
All other operating activities	605	670
Net cash provided by operating activities	<u>3,931</u>	<u>4,712</u>
Cash flows from investing activities		
Purchase of finance receivables (other than wholesale)	(17,786)	(20,944)
Collection of finance receivables (other than wholesale)	16,237	17,247
Purchase of operating lease vehicles	(8,408)	(8,562)
Liquidation of operating lease vehicles	4,058	3,313
Net change in wholesale receivables	(752)	668
Net change in retained interest in securitized assets	199	374
Net change in notes receivable from affiliated companies	(100)	226
Proceeds from sales of receivables and retained interests	697	2,947
Purchases of marketable securities	(3,797)	(8,692)
Proceeds from sales and maturities of marketable securities	11,171	8,947
Net change in derivatives	538	708
All other investing activities	33	(15)
Net cash provided by/(used in) investing activities	<u>2,090</u>	<u>(3,783)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	16,838	23,565
Principal payments on long-term debt	(19,280)	(25,880)
Change in short-term debt, net	(1,415)	87
Cash dividends paid	—	(650)
All other financing activities	(51)	(68)
Net cash used in financing activities	<u>(3,908)</u>	<u>(2,946)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2</u>	<u>229</u>
Net change in cash and cash equivalents	2,115	(1,788)
Cash and cash equivalents, beginning of period	<u>12,331</u>	<u>14,798</u>
Cash and cash equivalents, end of period	<u>\$ 14,446</u>	<u>\$ 13,010</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

NOTE 1. GENERAL AND 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 necessary for a fair statement of the results of operations and financial conditions for interim periods for Ford Motor Credit Company LLC, its consolidated subsidiaries and consolidated variable interest entities ("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 a 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, 2006 ("2006 10-K Report"). We are an indirect, wholly owned subsidiary of Ford Motor Company ("Ford").

Conversion to Limited Liability Company

Effective May 1, 2007, we converted our form of organization from a Delaware corporation to a Delaware limited liability company ("LLC") and changed our name to "Ford Motor Credit Company LLC". The purpose of converting from a corporation to a limited liability company is to enable us to operate our business in a more tax efficient manner. This conversion had no material impact on our results of operations or financial condition.

For periods subsequent to the conversion to an LLC, our federal and state income tax liabilities are determined under a tax sharing agreement with Ford. Income tax expense is generally calculated as if we file our own federal and state income tax returns as an entity taxable as a corporation.

Receivable Classification

Receivables are accounted for as held-for-investment ("HFI") if management has the intent and ability to hold the receivables for the foreseeable future or until maturity or payoff. Receivables that are classified as HFI are recorded at cost. The determination of intent and ability for the foreseeable future at origination is highly judgmental and requires management to make good faith estimates based on all information available at the time. Once a decision has been made to sell specific receivables not previously classified as held-for-sale ("HFS"), such receivables are transferred into the HFS classification and carried at the lower of cost or fair value. Any amount by which cost exceeds fair value is accounted for as a valuation allowance offset to income. We use internally developed quantitative methods to determine fair value that incorporate appropriate funding pricing and enhancement requirements, as well as estimates concerning credit losses and prepayments.

Regardless of receivable classification, retained interests related to sold receivables are classified and accounted for as available-for-sale securities. The initial receipt of retained interests represents a non-cash transfer and subsequent cash flows related to repayment of the retained interests is recorded as an investing activity.

We classify receivables on a receivable-by-receivable basis. Specific receivables included in off-balance sheet securitizations or whole-loan sale transactions are generally not identified until the month in which the sale occurs. Each quarter we make a determination of whether it is probable that receivables originated during the quarter will be held for the foreseeable future based on historical receivable sale experience, internal forecasts and budgets, as well as other relevant, reliable information available through the date of evaluation. For purposes of this determination, we define probable to mean at least 70% likely and, consistent with our budgeting and forecasting period, we define foreseeable future to mean 12 months. We also consider off-balance sheet funding channels in connection with our quarterly receivable classification determination.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. GENERAL AND ACCOUNTING POLICIES – Continued

Held-For-Investment

Finance receivables originated during the quarter for which we determine that it is probable we will hold for the following twelve months are classified as HFI and carried at amortized cost. Beginning in November 2005, all wholesale receivables are classified as HFI at origination. Prior to November 2005, certain wholesale receivables were originally classified as HFS because we had committed to sell these receivables to an off-balance sheet trust. All retail receivables are classified as HFI at origination during all periods presented. Cash flows resulting from the purchase of these receivables that are originally classified as HFI are recorded as an investing activity. Once a decision has been made to sell specifically identified receivables that were originally classified as HFI and the receivables are sold in the same reporting period, the receivables are reclassified as HFS and simultaneously removed from the balance sheet. The fair value adjustment is incorporated and recognized in the net gain on sale of receivables component in the *Investment and other income related to sales of receivables* line in the income statement. If the receivables have been selected for an off-balance sheet transaction that has not occurred at the end of the reporting period, the receivables are reclassified as HFS and a valuation adjustment is recorded in *Other income* to recognize the receivables at the lower of cost or fair value. Cash flows resulting from the sale of the receivables that were originally classified as HFI are recorded as an investing activity since GAAP requires the statement of cash flow presentation to be based on the original classification of the receivables. See *Proceeds from sales of receivables and retained interests* in Note 7 to the financial statements in our 2006 10-K Report for details on the proceeds from the sale of receivables that were originally classified as HFI.

Held-For-Sale

Finance receivables originated during the quarter for which we determine that it is not probable we will hold for the following twelve months are classified as HFS and carried at the lower of cost or fair value. Cash flows resulting from the purchase of these receivables are recorded as an operating activity. The valuation adjustment, if applicable, is recorded in *Other income* to recognize the receivables at the lower of cost or fair value. Once specifically identified receivables that were originally classified as HFS are sold, the receivables are removed from the balance sheet and the fair value adjustment is incorporated into the book value of receivables for purposes of determining the gain on sale. Cash flows resulting from the sale of the receivables that were originally classified as HFS are recorded as an operating activity. As a result of our accounting for any retained interest related to sold receivables as available-for-sale securities, there will be a net operating cash outflow impact for these receivables since the cash flows related to the retained interest will be classified as investing cash inflows.

Cash for On-Balance Sheet Securitizations

The cash balances to be used only to support on-balance sheet securitizations were \$7.5 billion and \$3.7 billion at June 30, 2007 and December 31, 2006, respectively. These balances are generally held by VIEs of which we are the primary beneficiary and are included in *Cash and cash equivalents*.

Other Income

Other income, net consists primarily of investment income and gains/losses related to market valuation adjustments from derivatives. Investment income, which includes primarily income related to cash, cash equivalents and marketable securities, was \$230 million and \$179 million in the second quarter of 2007 and 2006, respectively, and \$517 million and \$351 million in the first half of 2007 and 2006, respectively. Additional financial information regarding derivatives is shown in Derivative Financial Instruments and Hedging Activities, Note 8.

Item 1. Financial Statements (Continued)**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS (Continued)****NOTE 2. FINANCE RECEIVABLES**

Net finance receivables at June 30, 2007 and December 31, 2006 were as follows (in millions):

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
Retail	\$ 72,488	\$ 71,347
Wholesale	36,457	35,227
Other	<u>3,819</u>	<u>3,815</u>
Total finance receivables, net of unearned income (a)(b)	112,764	110,389
Less: Allowance for credit losses	<u>(883)</u>	<u>(984)</u>
Finance receivables, net	<u>\$ 111,881</u>	<u>\$ 109,405</u>

- (a) At June 30, 2007 and December 31, 2006, includes \$1.9 billion of primarily wholesale receivables with entities that are reported as consolidated subsidiaries of Ford. The consolidated subsidiaries include dealerships that are partially owned by Ford and consolidated as VIEs and also certain overseas affiliates. The associated vehicles that are being financed by us are reported as inventory on Ford's balance sheet.
- (b) At June 30, 2007 and December 31, 2006, includes finance receivables of \$60.0 billion and \$56.5 billion, respectively, that have been sold for legal purposes in securitizations that do not satisfy the requirements for accounting sale treatment. These receivables are available only for payment of the debt or 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.

NOTE 3. NET INVESTMENT IN OPERATING LEASES

Net investment in operating leases at June 30, 2007 and December 31, 2006 were as follows (in millions):

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
Vehicles, at cost, including initial direct costs	\$ 35,861	\$ 33,012
Less: Accumulated depreciation	(7,662)	(6,947)
Less: Allowance for credit losses	<u>(127)</u>	<u>(126)</u>
Net investment in operating leases (a)	<u>\$ 28,072</u>	<u>\$ 25,939</u>

- (a) At June 30, 2007 and December 31, 2006, includes net investment in operating leases of \$17.0 billion and \$15.2 billion, respectively, that have been included in securitizations that do not satisfy the requirements for accounting sale treatment. These net investment in operating leases are available only for payment of the debt or 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.

Item 1. Financial Statements (Continued)**FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES****NOTES TO THE FINANCIAL STATEMENTS (Continued)****NOTE 4. ALLOWANCE FOR CREDIT LOSSES**

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

	Second Quarter		First Half	
	2007	2006	2007	2006
	(Unaudited)		(Unaudited)	
Balance, beginning of period	\$ 1,044	\$ 1,448	\$ 1,110	\$ 1,586
Provision for credit losses	82	(7)	128	(2)
Deductions				
Charge-offs before recoveries	246	217	473	445
Recoveries	<u>(121)</u>	<u>(134)</u>	<u>(241)</u>	<u>(251)</u>
Net charge-offs	125	83	232	194
Other changes, principally amounts related to finance receivables sold and translation adjustments	<u>(9)</u>	<u>(2)</u>	<u>(4)</u>	<u>30</u>
Net deductions	<u>116</u>	<u>81</u>	<u>228</u>	<u>224</u>
Balance, end of period	<u>\$ 1,010</u>	<u>\$ 1,360</u>	<u>\$ 1,010</u>	<u>\$ 1,360</u>

NOTE 5. VARIABLE INTEREST ENTITIES

We consolidate VIEs in which we are the primary beneficiary. We use special purpose entities ("SPEs") that are considered VIEs for most of our on-balance sheet securitizations. The 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. Conversely, 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. Consolidated VIE assets of \$77.8 billion and \$69.5 billion are included in our balance sheet at June 30, 2007 and December 31, 2006, respectively. These consolidated VIE assets include \$7.5 billion and \$3.7 billion of cash and cash equivalents and \$70.3 billion and \$65.8 billion of receivables and beneficial interests in net investment in operating leases at June 30, 2007 and December 31, 2006, respectively.

We have investments in other entities determined to be VIEs of which we are not the primary beneficiary. The risks and rewards associated with our interests in these entities are based primarily on ownership percentages. Our maximum exposure (\$219 million and \$182 million at June 30, 2007 and December 31, 2006, respectively) to any potential losses associated with these VIEs is limited to our equity investments and, where applicable, receivables due from the VIEs.

In addition, we sell finance receivables to bank-sponsored asset-backed commercial paper issuers that are SPEs of the sponsor bank; these SPEs are not consolidated by us. The outstanding balance of finance receivables that have been sold by us to these SPEs of the sponsored banks was approximately \$4.5 billion and \$5.2 billion at June 30, 2007 and December 31, 2006, respectively.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6. DEBT

At June 30, 2007 and December 31, 2006, debt was as follows (in millions):

	Interest Rates				June 30, 2007 (Unaudited)	December 31, 2006
	Average Contractual (a)		Weighted- Average (b)			
	2007	2006	2007	2006		
Short-term debt						
Asset-backed commercial paper (c)	5.5%	5.4%			\$ 14,453	\$ 16,480
Other asset-backed short-term debt (c)	5.7%	5.7%			3,033	1,197
Ford Interest Advantage (d)	5.9%	6.1%			5,623	5,611
Unsecured commercial paper	7.6%	6.7%			503	400
Other short-term debt (e)	6.9%	5.8%			<u>1,255</u>	<u>2,142</u>
Total short-term debt	5.7%	5.6%	5.8%	5.8%	<u>24,867</u>	<u>25,830</u>
Long-term debt						
Senior indebtedness						
Notes payable within one year					14,542	17,256
Notes payable after one year (f)					52,519	54,874
Unamortized discount					(102)	(103)
Asset-backed debt (c)						
Notes payable within one year					21,724	17,330
Notes payable after one year					<u>24,196</u>	<u>24,553</u>
Total long-term debt (g)	6.3%	6.1%	6.1%	5.9%	<u>112,879</u>	<u>113,910</u>
Total debt	6.2%	6.0%	6.1%	5.9%	<u>\$ 137,746</u>	<u>\$ 139,740</u>

- (a) Second quarter 2007 and fourth quarter 2006 average contractual rates exclude the effects of interest rate swap agreements and facility fees.
- (b) Second quarter 2007 and fourth quarter 2006 weighted-average rates include the effects of interest rate swap agreements and facility fees.
- (c) Obligations issued in securitizations that are payable only out of collections on the underlying securitized assets and related enhancements.
- (d) The Ford Interest Advantage program consists of our floating rate demand notes.
- (e) Includes \$29 million and \$27 million with affiliated companies at June 30, 2007 and December 31, 2006, respectively.
- (f) Includes \$158 million and \$150 million with affiliated companies at June 30, 2007 and December 31, 2006, respectively.
- (g) Average contractual and weighted-average interest rates for total long-term debt reflects the rates for both notes payable within one year and notes payable after one year.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 7. INCOME TAXES

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation Number 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109, Accounting for Income Taxes* ("FIN 48"). The Interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN 48 also provides guidance on de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods, and thus requires increased disclosures.

We adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, we recorded a \$51 million decrease to our retained earnings. The amount of unrecognized tax benefits at January 1, 2007 is \$363 million, of which \$107 million would affect our effective tax rate, if recognized.

We join in the filing of Ford's U.S. federal consolidated income tax return. We have settled our U.S. federal income tax deficiencies related to tax years prior to 2004 in accordance with our intercompany tax sharing agreement with Ford. The consolidated return is currently under examination for the 2004 and 2005 tax years.

Examinations by tax authorities have been completed through 1999 in Germany, 2000 in Canada, and 2003 in the United Kingdom.

Effective with the adoption of FIN 48, we have elected to recognize accrued interest expense related to unrecognized tax benefits in jurisdictions where we file tax returns separate from Ford and income tax related penalties in the *Provision for income taxes*. As of January 1, 2007, we had recorded a liability of approximately \$8 million for the payment of interest.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to interest rate changes and foreign currency exchange rate fluctuations in the normal course of business. As part of our risk management strategy we use various derivatives, including interest rate swaps, cross currency swaps and forward contracts to mitigate our risk exposure to interest rates and currency exchange rates. In 2007, we have elected not to apply hedge accounting to these derivatives. Refer to our 2006 10-K Report for a more detailed description of our derivative financial instruments and hedge accounting designations.

Income Statement Effect of Derivative Instruments

The following table summarizes the estimated pre-tax gains / (losses) for each type of hedge designation (in millions):

	<u>Second Quarter</u>		<u>First Half</u>		<u>Income Statement Classification</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	
	<u>(Unaudited)</u>		<u>(Unaudited)</u>		
Fair value hedges					
Ineffectiveness	\$ —	\$ 1	\$ —	\$ 9	Other income
Net interest settlements and accruals excluded from the assessment of hedge effectiveness	—	4	—	12	Interest expense
Foreign exchange revaluation adjustments excluded from the assessment of hedge effectiveness (a)(b)	—	41	—	65	Other income
Derivatives not designated as hedging instruments					
Interest rate swaps	(255)	(183)	(222)	(442)	Other income
Foreign currency swaps and forward contracts (a)	(443)	(120)	(450)	(44)	Other income
Other	0	—	0	—	Other income

- (a) These gains/(losses) were related to foreign currency derivatives and were substantially offset by net revaluation impacts on foreign denominated debt, which were recorded to the same income statement line item as the hedge gains/(losses).
- (b) Represents the portion of the derivative's fair value attributable to the change in foreign currency exchange rates.

Balance Sheet Effect of Derivative Instruments

The following table summarizes the estimated fair value of our derivative financial instruments, taking into consideration the effects of legally enforceable netting agreements, which allow us to settle positive and negative positions with the same counterparty on a net basis:

	<u>June 30, 2007</u>			<u>December 31, 2006</u>		
	<u>(Unaudited)</u>					
	<u>Notional</u>	<u>Fair Value Assets</u>	<u>Fair Value Liabilities</u>	<u>Notional</u>	<u>Fair Value Assets</u>	<u>Fair Value Liabilities</u>
<u>(in billions)</u>	<u>(in millions)</u>		<u>(in billions)</u>	<u>(in millions)</u>		
Fair value hedges	\$ —	\$ —	\$ —	\$ 1	\$ 111	\$ 1
Derivatives not designated as hedging instruments (a)	175	1,626	1,351	158	2,334	936
Impact of netting agreements	—	(595)	(595)	—	(641)	(641)
Total derivative financial instruments	<u>\$ 175</u>	<u>\$ 1,031</u>	<u>\$ 756</u>	<u>\$ 159</u>	<u>\$ 1,804</u>	<u>\$ 296</u>

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

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 9. OTHER ACTIONS

Employee Separation Actions

In the first half of 2007, we recognized pre-tax charges of \$43 million in *Operating expenses* for employee separation actions (excluding costs for retirement plan and postretirement health care and life insurance benefits) announced in 2006 in the United States and in the first quarter of 2007 in Canada. These actions were associated with our business transformation initiative to consolidate branches into our existing service centers in North America. In addition, in the first half of 2007, we incurred charges of \$71 million for retirement plan and postretirement health care and life insurance benefits related to these actions. Refer to our 2006 10-K Report for a more detailed description of our employee separation actions.

Item 1. Financial Statements (Continued)

FORD MOTOR CREDIT COMPANY LLC AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10. SEGMENT INFORMATION

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 from continuing operations before income taxes basis, after excluding the impact of gains and losses related to market valuation adjustments from derivatives primarily related to movements in interest rates. These adjustments are included in unallocated risk management and excluded in assessing segment performance because our risk management activities are carried out on a centralized basis at the corporate level, with only certain elements allocated to our two segments. The segments are presented on a managed basis (managed basis includes on-balance sheet receivables and securitized off-balance sheet receivables activity), and the effect of off-balance sheet securitizations is included in unallocated/eliminations.

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

	North America Segment	Inter- national Segment	Unallocated/Eliminations		Total	Total
			Unallocated Risk Management	Effect of Sales of Receivables		
(Unaudited)						
Second Quarter 2007						
Revenue (a)	\$ 3,756	\$ 958	\$ (316)	\$ (100)	\$ (416)	\$ 4,298
Income						
Income from continuing operations before income taxes	260	168	(316)	—	(316)	112
Provision for income taxes	102	59	(111)	—	(111)	50
Income from continuing operations	158	109	(205)	—	(205)	62
Other disclosures						
Depreciation on vehicles subject to operating leases	1,373	77	—	—	—	1,450
Interest expense	1,709	568	—	(111)	(111)	2,166
Provision for credit losses	75	7	—	—	—	82
Second Quarter 2006						
Revenue (a)	\$ 3,670	\$ 841	\$ (232)	\$ (126)	\$ (358)	\$ 4,153
Income						
Income from continuing operations before income taxes	487	180	(232)	—	(232)	435
Provision for income taxes	149	63	(81)	—	(81)	131
Income from continuing operations	338	117	(151)	—	(151)	304
Other disclosures						
Depreciation on vehicles subject to operating leases	1,192	72	—	—	—	1,264
Interest expense	1,642	429	—	(164)	(164)	1,907
Provision for credit losses	(34)	27	—	—	—	(7)

(a) Total Revenue represents *Total financing revenue, Investment and other income related to sales of receivables, 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 10. SEGMENT INFORMATION (Continued)

	North America Segment	Inter- national Segment	Unallocated/Eliminations		Total	Total
			Unallocated Risk Management	Effect of Sales of Receivables		
(Unaudited)						
First Half 2007						
Revenue (a)	\$ 7,507	\$ 1,902	\$ (353)	\$ (221)	\$ (574)	\$ 8,835
Income						
Income from continuing operations						
before income taxes	432	327	(353)	—	(353)	406
Provision for income taxes	160	115	(124)	—	(124)	151
Income from continuing operations	272	212	(229)	—	(229)	255
Other disclosures						
Depreciation on vehicles subject to operating leases	2,772	153	—	—	—	2,925
Interest expense	3,445	1,101	—	(231)	(231)	4,315
Provision for credit losses	97	31	—	—	—	128
Finance receivables and net investment in operating leases	108,942	40,370	2	(9,361)	(9,359)	139,953
Total assets	129,182	44,769	2	(8,492)	(8,490)	165,461
First Half 2006						
Revenue (a)	\$ 7,246	\$ 1,688	\$ (586)	\$ (273)	\$ (859)	\$ 8,075
Income						
Income from continuing operations						
before income taxes	1,019	384	(586)	—	(586)	817
Provision for income taxes	335	135	(205)	—	(205)	265
Income from continuing operations	684	249	(381)	—	(381)	552
Other disclosures						
Depreciation on vehicles subject to operating leases	2,300	145	—	—	—	2,445
Interest expense	3,179	861	—	(340)	(340)	3,700
Provision for credit losses	(52)	50	—	—	—	(2)
Finance receivables and net investment in operating leases	113,434	37,371	19	(14,632)	(14,613)	136,192
Total assets	134,890	40,839	19	(13,482)	(13,463)	162,266

(a) Total Revenue represents *Total financing revenue, Investment and other income related to sales of receivables, 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 11. GUARANTEES AND INDEMNIFICATIONS

The fair values of guarantees and indemnifications issued are recorded in the financial statements and are not material.

At June 30, 2007, the following guarantees and indemnifications were issued and outstanding:

Guarantees of certain obligations of unconsolidated affiliates and third parties: In some cases, we have guaranteed debt and other financial obligations of unconsolidated affiliates, including Ford and joint ventures, and certain third parties. Expiration dates vary, and guarantees will terminate on payment and/or cancellation of the obligation. A payment 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 \$497 million; of this amount, \$129 million was counter-guaranteed by Ford to us. No losses have been recorded for these guarantees.

Indemnifications: We regularly evaluate the probability of having to incur costs associated with indemnifications contained in contracts to which we are a party, and have accrued for expected losses that are probable and for which a loss can be estimated. During the second quarter of 2007, there were no significant changes to our indemnifications.

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

Results of Operations

Second Quarter 2007 Compared with Second Quarter 2006

In the second quarter of 2007, net income was \$62 million, down \$242 million compared with a year ago. On a pre-tax basis from continuing operations, we earned \$112 million in the second quarter of 2007, down \$323 million compared with a year ago. The decrease in earnings primarily reflected higher borrowing costs, lower credit loss reserve reductions, higher depreciation expense for leased vehicles and higher net losses related to market valuation adjustments from derivatives. Lower expenses, primarily reflecting improved operating costs, were a partial offset.

In the second quarter of 2007 and 2006, pre-tax earnings included net losses related to market valuation adjustments from derivatives (unallocated risk management in the table below) in the amounts of \$316 million and \$232 million, respectively.

Results of our operations by business segment for the second quarter of 2007 and 2006 are shown below:

	<u>Second Quarter</u>		
	<u>2007</u>	<u>2006</u>	<u>2007 Over/(Under) 2006</u>
	(in millions)		
Income from continuing operations before income taxes			
North America segment.....	\$ 260	\$ 487	\$ (227)
International segment	168	180	(12)
Unallocated risk management.....	(316)	(232)	(84)
Income from continuing operations before income taxes	112	435	(323)
Provision for income taxes and minority interests	(50)	(131)	81
Total net income	<u>\$ 62</u>	<u>\$ 304</u>	<u>\$ (242)</u>

The decrease in North America segment earnings primarily reflected higher borrowing costs, lower credit loss reserve reductions and higher depreciation expense for leased vehicles. Lower expenses, primarily reflecting improved operating costs, were a partial offset.

The decrease in International segment income primarily reflected higher borrowing costs partially offset by a lower provision for credit losses, lower operating costs and favorable changes in currency exchange rates.

The change in unallocated risk management income reflected higher net losses related to market valuation adjustments from derivatives primarily related to movements in interest rates. For additional information on our unallocated risk management business segment, see Note 10 of our Notes to the Financial Statements.

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

First Half 2007 Compared with First Half 2006

In the first half of 2007, net income was down \$297 million compared with a year ago. Our income from continuing operations before income taxes was down \$411 million. The decrease in earnings primarily reflected higher borrowing costs, higher depreciation expense for leased vehicles, lower credit loss reserve reductions and costs associated with our North American business transformation initiative. These factors were partially offset by lower net losses related to market valuation adjustments from derivatives and lower expenses, primarily reflecting improved operating costs. Results of our operations by business segment for the first half of 2007 and 2006 are shown below.

In the first half of 2007 and 2006, pre-tax earnings included net losses related to market valuation adjustments from derivatives (unallocated risk management in the table below) in the amounts of \$353 million and \$586 million, respectively.

	First Half		2007 Over/(Under) 2006
	2007	2006	
Income from continuing operations before income taxes		(in millions)	
North America segment.....	\$ 432	\$ 1,019	\$ (587)
International segment	327	384	(57)
Unallocated risk management.....	<u>(353)</u>	<u>(586)</u>	<u>233</u>
Income from continuing operations before income taxes	406	817	(411)
Provision for income taxes and minority interests	<u>(151)</u>	<u>(265)</u>	<u>114</u>
Total net income	<u>\$ 255</u>	<u>\$ 552</u>	<u>\$ (297)</u>

The decrease in North America segment earnings primarily reflected higher borrowing costs, higher depreciation expense for leased vehicles, lower credit loss reserve reductions and the costs associated with our business transformation initiative. Lower expenses, primarily reflecting improved operating costs, were a partial offset.

The decrease in International segment income primarily reflected the same causal factors described for the second quarter.

The change in unallocated risk management income reflected lower net losses related to market valuation adjustments from derivatives primarily related to movements in interest rates.

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

Placement Volume and Financing Share

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

	<u>Second Quarter</u>		<u>First Half</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	(in thousands)			
North America Segment				
United States.....	354	443	659	841
Canada.....	<u>59</u>	<u>56</u>	<u>94</u>	<u>91</u>
Total North America segment	413	499	753	932
International Segment				
Europe	186	182	371	367
Other international.....	<u>47</u>	<u>56</u>	<u>106</u>	<u>121</u>
Total International segment.....	<u>233</u>	<u>238</u>	<u>477</u>	<u>488</u>
Total contract placement volume.....	<u>646</u>	<u>737</u>	<u>1,230</u>	<u>1,420</u>

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

	<u>Second Quarter</u>		<u>First Half</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
United States				
Financing share - Ford, Lincoln and Mercury				
Retail installment and lease.....	38%	45%	37%	44%
Wholesale	78	79	78	80
Europe				
Financing share - Ford				
Retail installment and lease.....	27%	25%	26%	25%
Wholesale	97	95	97	95

North America Segment

In the second quarter of 2007, our total contract placement volumes were 413,000, down 86,000 contracts from a year ago. This decrease primarily reflected lower sales of new Ford, Lincoln and Mercury vehicles, lower used vehicle contract volumes and changes in the types of Ford sponsored marketing programs offered through us.

In the first half of 2007, our total contract placement volumes were 753,000, down 179,000 contracts from a year ago, reflecting the causal factors described above.

International Segment

In the second quarter of 2007, our total contract placement volumes were 233,000, down 5,000 contracts from a year ago. The decrease primarily reflected lower volumes in Latin America and Asia Pacific.

In the first half of 2007, our total International contract placement volumes were 477,000, down 11,000 contracts from a year ago, reflecting the causal factors described above.

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

Financial Condition

Finance Receivables and Operating Leases

Our receivable levels are shown below:

	June 30, 2007	December 31, 2006
Receivables	(in billions)	
On-Balance Sheet		
Finance receivables		
Retail installment.....	\$ 71.7	\$ 70.4
Wholesale.....	36.4	35.2
Other	3.8	3.8
Total finance receivables, net.....	111.9	109.4
Net investment in operating leases.....	28.1	25.9
Total on-balance sheet*.....	\$ 140.0	\$ 135.3
Memo: Allowance for credit losses included above.....	\$ 1.0	\$ 1.1
Securitized Off-Balance Sheet		
Finance receivables		
Retail installment.....	\$ 9.3	\$ 12.2
Wholesale.....	—	—
Other	—	—
Total finance receivables.....	9.3	12.2
Net investment in operating leases.....	—	—
Total securitized off-balance sheet	\$ 9.3	\$ 12.2
Managed		
Finance receivables		
Retail installment.....	\$ 81.0	\$ 82.6
Wholesale.....	36.4	35.2
Other	3.8	3.8
Total finance receivables, net.....	121.2	121.6
Net investment in operating leases.....	28.1	25.9
Total managed.....	\$ 149.3	\$ 147.5
Serviced	\$ 150.7	\$ 149.5

* At June 30, 2007 and December 31, 2006, includes finance receivables of \$60.0 billion and \$56.5 billion, respectively, that have been sold for legal purposes in securitizations that do not satisfy the requirements for accounting sale treatment. In addition, at June 30, 2007 and December 31, 2006, includes net investment in operating leases of \$17.0 billion and \$15.2 billion, respectively, that have been included in securitizations that do not satisfy the requirements for accounting sale treatment. These underlying securitized assets are available only for payment of the debt or 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.

Managed Receivables increased from year-end 2006, primarily reflecting changes in currency exchange rates and higher net investment in operating leases, partially offset by lower U.S. retail installment receivables.

At June 30, 2007, in the United States and Canada, Ford is obligated to pay us \$5.2 billion of interest supplements (including supplements related to sold receivables) over the terms of the related finance contracts compared with \$4.8 billion at March 31, 2007 and \$4.6 billion at December 31, 2006. The increase primarily reflects changes in Ford's marketing programs throughout the second quarter that emphasized financing incentives through us.

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

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 and non-consumer portfolios to balance our level of risk and return. The allowance for credit losses reflected on our balance sheet is our estimate of the credit losses for receivables and leases that are impaired as of the date of our balance sheet. 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.

Credit Loss Metrics

Worldwide

The following table shows worldwide credit losses net of recoveries ("charge-offs") for the various categories of financing during the periods indicated. The loss-to-receivables ratios, which equal charge-offs on an annualized basis divided by the average amount of receivables outstanding for the period, are shown below for our on-balance sheet and managed portfolios.

	Second Quarter		First Half	
	2007	2006	2007	2006
	(in millions)			
Charge-offs				
On-Balance Sheet				
Retail installment and lease	\$ 116	\$ 64	\$ 218	\$ 175
Wholesale	8	19	12	19
Other	1	—	2	—
Total on-balance sheet	<u>\$ 125</u>	<u>\$ 83</u>	<u>\$ 232</u>	<u>\$ 194</u>
Reacquired Receivables (retail)*	\$ 0	\$ 0	\$ 0	\$ 2
Securitized Off-Balance Sheet				
Retail installment and lease	\$ 14	\$ 19	\$ 32	\$ 42
Wholesale	—	—	—	—
Other	—	—	—	—
Total securitized off-balance sheet	<u>\$ 14</u>	<u>\$ 19</u>	<u>\$ 32</u>	<u>\$ 42</u>
Managed				
Retail installment and lease	\$ 130	\$ 83	\$ 250	\$ 219
Wholesale	8	19	12	19
Other	1	—	2	—
Total managed	<u>\$ 139</u>	<u>\$ 102</u>	<u>\$ 264</u>	<u>\$ 238</u>
Loss-to-Receivables Ratios				
On-Balance Sheet				
Retail installment and lease	0.47%	0.28%	0.45%	0.39%
Wholesale	0.09	0.20	0.06	0.10
Total including other	0.36%	0.25%	0.34%	0.29%
Managed				
Retail installment and lease	0.48%	0.31%	0.46%	0.42%
Wholesale	0.09	0.20	0.06	0.10
Total including other	0.38%	0.27%	0.36%	0.32%

* Reacquired receivables reflect the amount of receivables that resulted from the accounting consolidation of our FCAR Owner Trust retail securitization program ("FCAR") in the second quarter of 2003.

Charge-offs and loss-to-receivables ratios for our on-balance sheet and managed portfolios increased from a year ago. These increases, principally in the U.S. retail installment and lease portfolio, primarily reflect lower recoveries and higher loss severity (average loss per repossession), partially offset by lower repossessions.

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

Ford, Lincoln and Mercury Brand Retail Installment and Operating Lease

The following table shows the credit loss metrics for our Ford, Lincoln and Mercury brand U.S. retail installment sale and operating lease portfolio. This portfolio was approximately 60% of our worldwide managed portfolio of retail installment receivables and net investment in operating leases at June 30, 2007. Trends and causal factors are consistent with the worldwide results described in the preceding section, with repossessions down 3,000 units in the second quarter of 2007 from a year ago, consistent with improved portfolio quality. Loss severity was higher by \$700 per unit from a year ago, primarily reflecting an increase in amount financed and lower auction values.

	Second Quarter		First Half	
	2007	2006	2007	2006
On-Balance Sheet				
Charge-offs (in millions).....	\$ 75	\$ 36	\$ 144	\$ 107
Loss-to-receivables ratios.....	0.51%	0.27%	0.50%	0.41%
Managed				
Charge-offs (in millions).....	\$ 82	\$ 48	\$ 163	\$ 138
Loss-to-receivables ratios.....	0.51%	0.30%	0.50%	0.43%
Other Metrics — Serviced				
Repossessions (in thousands)	16	19	35	42
Repossession ratios (a)	1.61%	1.79%	1.77%	1.96%
Average loss per repossession	\$ 7,000	\$ 6,300	\$ 6,800	\$ 6,100
New bankruptcy filings (in thousands)	7	5	13	9
Over-60 day delinquency ratio (b).....	0.15%	0.14%	0.16%	0.14%

- (a) Repossessions as a percent of the average number of accounts outstanding during the periods.
(b) Delinquencies are expressed as a percent of the accounts outstanding for non-bankrupt accounts.

Allowance for Credit Losses

Our allowance for credit losses and our allowance for credit losses as a percentage of end-of-period receivables (net finance receivables and net investment in operating leases) for our on-balance sheet portfolio are shown below. A description of our allowance setting process is provided in "Critical Accounting Estimates — Allowance for Credit Losses" section of Item 7 of Part II of our 2006 10-K Report.

	June 30, 2007	December 31, 2006
	(in millions)	
Allowance for Credit Losses		
Retail installment and lease	\$ 941	\$ 1,027
Wholesale	65	76
Other	4	7
Total allowance for credit losses.....	<u>\$ 1,010</u>	<u>\$ 1,110</u>
As a Percentage of End-of-Period Receivables		
Retail installment and lease	0.93%	1.05%
Wholesale	0.18	0.22
Total including other	0.72%	0.81%

Our allowance for credit losses decreased \$100 million from year-end 2006, primarily reflecting historical charge-off trends, consistent with a higher quality retail installment and lease portfolio.

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

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 have increased depreciation expense for vehicles subject to operating leases in our North America portfolio, reflecting higher lease volumes, an increase in the percentage of vehicles returned to us at lease termination and lower expected auction values. For an additional discussion of 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 2006 10-K Report.

Retail Operating Lease Experience

We use various statistics to monitor our residual risk:

- Placement volume measures the number of leases we purchase in a given period;
- Termination volume measures the number of vehicles for which the lease has ended in the given period; and
- Return volume reflects the number of vehicles returned to us by customers at lease end.

The following table shows operating lease placement, termination and return volumes for our North America segment, which accounted for about 97% of our total investment in operating leases at June 30, 2007:

	Second Quarter		First Half	
	2007	2006	2007	2006
	(in thousands)			
Placements.....	139	125	249	253
Terminations.....	108	87	199	172
Returns	85	59	157	119
Memo:				
Return rates	78%	68%	79%	69%

In the second quarter of 2007, placement volumes were up 14,000 units compared with the same period a year ago, primarily reflecting Ford Motor Company marketing programs. Termination and return volumes increased 21,000 units and 26,000 units, respectively, compared with a year ago, primarily reflecting higher lease placements beginning in 2004 and higher return rates, consistent with lower auction values.

In the first half of 2007, placement volumes were down 4,000 units compared with the same period a year ago. Termination and return volumes increased 27,000 units and 38,000 units, respectively consistent with the causal factors described above.

Item 2. Management's 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 Securities and Exchange Commission ("SEC"):

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

There were no changes in the second quarter to the ratings assigned to us. The following chart summarizes long-term senior unsecured credit ratings, short-term credit ratings and the outlook presently assigned to us by these NRSROs:

NRSRO RATINGS*											
DBRS			Fitch			Moody's			S&P		
Long-Term	Short-Term	Trend	Long-Term	Short-Term	Outlook	Long-Term	Short-Term	Outlook	Long-Term**	Short-Term	Outlook
B	R-4	Negative	BB-	B	Negative	B1	NP	Negative	B	B-3	Negative

* Rating and Investment Information, Inc. ("R&I") was recognized as an NRSRO by the SEC in May 2007. R&I assigns a long-term issue rating of BB- with a negative outlook to Ford Credit's February 2005 ¥160 Billion 1.71% bond issuance which matures in February 2008.

** S&P presently assigns FCE Bank plc ("FCE") a long-term rating of B+, a one notch positive differential versus Ford Credit.

Funding

Our funding strategy is to maintain a high level of liquidity by having a substantial cash balance and committed funding capacity, allowing us to meet our short-term funding obligations. As a result of lower credit ratings over the past few years, our unsecured funding costs have increased over time. While we continue to access the unsecured debt market, we have increased our use of securitization funding as it is presently more cost effective than unsecured funding and allows us access to a broad investor base. We plan to meet a significant portion of our 2007 funding requirements through securitizations and will continue to expand and diversify our asset-backed funding by asset class and region. In addition, we have various alternative business arrangements for select products and markets that reduce our funding requirements while allowing us to support Ford (e.g., our partnering in Brazil for retail financing and FCE's partnering with various financial institutions in Europe for full service leasing and retail financing). We are continuing to pursue such alternative business arrangements. Over time, we may need to reduce further the amount of receivables and operating leases we purchase or originate. A significant reduction in our managed receivables would reduce our ongoing profits, and could adversely affect our ability to support the sale of Ford vehicles.

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

Funding Portfolio

Our outstanding debt and securitized off-balance sheet funding was as follows on the dates indicated:

	June 30, 2007	December 31, 2006
	(in billions)	
Debt		
Asset-backed commercial paper*	\$ 14.5	\$ 16.5
Other asset-backed short term debt*	3.0	1.2
Ford Interest Advantage	5.6	5.6
Unsecured commercial paper	0.5	0.4
Other short-term debt	<u>1.2</u>	<u>2.1</u>
Total short-term debt	24.8	25.8
Unsecured long-term debt (including notes payable within one year)	67.0	72.0
Asset-backed long-term debt (including notes payable within one year)*	<u>45.9</u>	<u>41.9</u>
Total debt	137.7	139.7
Securitized Off-Balance Sheet Funding		
Securitized off-balance sheet portfolio	9.3	12.2
Retained interest	<u>(0.9)</u>	<u>(1.0)</u>
Total securitized off-balance sheet funding	8.4	11.2
Total debt plus securitized off-balance sheet funding	<u>\$ 146.1</u>	<u>\$ 150.9</u>
Ratios		
Credit lines to total unsecured commercial paper	>100%	>100%
Securitized funding to managed receivables	48	48
Short-term debt and notes payable within one year to total debt	44	43
Short-term debt and notes payable within one year to total capitalization	41	40

* Obligations issued in securitizations that are payable out of collections on the underlying securitized assets and related enhancements.

At June 30, 2007, unsecured long-term debt (including notes payable within one year) was down about \$5 billion from year-end 2006, primarily reflecting about \$12 billion of debt maturities partially offset by about \$6 billion of unsecured long-term issuance and about \$1 billion increase in the debt balance due to changes in currency exchange rates. Asset-backed long-term debt (including notes payable within one year) was up about \$4 billion from year-end 2006, reflecting asset-backed long-term issuance in excess of amortization of asset-backed debt. Securitized off-balance sheet funding was down \$2.8 billion from year-end 2006, primarily reflecting the amortization of previous securitizations.

Term Funding Plan

Through June 30, 2007, we completed about \$8 billion of public term funding transactions including about \$6 billion of unsecured long-term debt and a \$2 billion retail asset-backed securitization in the U.S. In addition, we completed a \$1.3 billion public retail asset-backed securitization transaction in Germany during July 2007. We expect our full year 2007 public term funding to be between \$11 billion and \$13 billion.

Through June 30, 2007, we completed about \$12 billion of private term funding transactions (excluding our on-balance sheet asset-backed commercial paper programs and proceeds from revolving transactions) in several markets. In addition, we completed about \$1 billion of private term funding transactions in Europe in July 2007. These private transactions included lease, wholesale and retail asset-backed securitizations and unsecured term debt. We expect our full year 2007 private term funding transactions to be between \$20 billion and \$25 billion.

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

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, asset-backed commercial paper programs and credit facilities) less asset-backed capacity in excess of eligible receivables and cash required to support on-balance sheet securitizations. We maintain multiple sources of liquidity to meet our short-term funding obligations.

	<u>June 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(in billions)	
Liquidity		
Cash, cash equivalents and marketable securities (a).....	\$ 16.7	\$ 21.8
Committed liquidity programs.....	38.1	35.1 (b)
Asset-backed commercial paper (FCAR) (c).....	17.3 (d)	18.6
Asset-backed commercial paper (Motown Notes SM) (c).....	6.0 (d)	6.0
Credit facilities.....	<u>3.2 (d)</u>	<u>3.8</u>
Capacity and cash.....	81.3 (d)	85.3 (b)
Less: Capacity in excess of eligible receivables.....	(12.6)	(15.2)
Less: Cash to support on-balance sheet securitizations.....	<u>(7.5)</u>	<u>(3.7)</u>
Liquidity.....	<u>\$ 61.2 (d)</u>	<u>\$ 66.4 (b)</u>

(a) Excluding marketable securities related to insurance activities.

(b) As of January 1, 2007.

(c) Supported by a bank liquidity facility equal to at least 100% of the principal amount of FCAR and 5% of the principal amount of Motown NotesSM.

(d) As of July 1, 2007.

At June 30, 2007, our capacity and cash was \$81.3 billion. Of this amount, we could utilize \$61.2 billion (based on the availability of eligible assets and the level of cash required to support on-balance sheet securitizations) of which \$34.5 billion was utilized as of June 30, 2007.

Cash, Cash Equivalents and Marketable Securities. At June 30, 2007, our cash, cash equivalents and marketable securities (excluding marketable securities related to insurance activities) totaled \$16.7 billion, compared with \$21.8 billion at year-end 2006. We ended 2006 with a high level of cash as a result of favorable funding opportunities late last year which pre-funded some of our 2007 first quarter maturities. In the normal course of our funding activities, we may generate more proceeds than are necessary 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 short-term U.S. Treasury bills, federal agency discount notes, highly rated commercial paper, and bank time deposits with investment grade institutions. The average maturity of these investments is typically less than 90 days and is adjusted based on market conditions and liquidity needs. We monitor our cash levels and average maturity on a daily basis. Cash balances include amounts to be used only to support our on-balance sheet securitizations of approximately \$7.5 billion at June 30, 2007 (of which \$3 billion was accumulated to pay a July 2007 wholesale term maturity) and \$3.7 billion at December 31, 2006.

Committed Liquidity Programs. We have entered into agreements with a number of bank-sponsored asset-backed commercial paper conduits ("conduits") and other financial institutions whereby such parties are contractually committed, at our option, to purchase from us eligible retail or wholesale assets or to make advances under asset-backed securities backed by wholesale assets for proceeds of up to \$32.1 billion at June 30, 2007 (\$17.5 billion retail and \$14.6 billion wholesale). These committed liquidity programs have varying maturity dates, with \$22 billion having maturities within the next twelve months, and the balance having maturities between 2008 and 2011. Our ability to obtain funding under these programs is subject to having a sufficient amount of assets eligible for these programs and, in the case of about \$4 billion of the wholesale commitments, the associated external bank conduits having sufficient investor demand to sell their commercial paper. At June 30, 2007, \$15.2 billion of these commitments were in use. These programs are extremely liquid funding sources as we are able to obtain funding from available capacity generally within two days. These programs are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements) and 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.

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

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.

In addition, we have a multi-year committed liquidity program for the purchase of up to \$6 billion of unrated asset-backed securities that at our option can be supported with various retail, wholesale, or lease assets. Our ability to obtain funding under this program is subject to having a sufficient amount of assets available to issue the securities. This program is also free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements) and credit rating triggers that could limit our ability to obtain funding. At June 30, 2007, we had \$3.2 billion of outstanding funding in this program.

Credit Facilities

Our credit facilities were as follows on the dates indicated:

	<u>July 1, 2007</u>	<u>December 31, 2006</u>
	(in billions)	
Credit Facilities		
Ford Credit bank lines	\$ 0.5	\$ 1.1
FCE bank lines	2.7	2.7
Utilized amounts	<u>(1.0)</u>	<u>(1.2)</u>
Available credit facilities	<u>\$ 2.2</u>	<u>\$ 2.6</u>
Asset-Backed Commercial Paper Lines		
FCAR asset-backed commercial paper lines.....	\$ 17.3	\$ 18.6
Motown Notes SM asset-backed commercial paper lines.....	<u>0.3</u>	<u>0.3</u>
Total asset-backed commercial paper lines	<u>\$ 17.6</u>	<u>\$ 18.9</u>

At July 1, 2007, we and our subsidiaries, including FCE, had \$3.2 billion of contractually committed unsecured credit facilities with financial institutions, of which \$2.2 billion were available for use. Of the lines available for use, 12% (or about \$300 million) are committed through December 31, 2011, and the remainder are committed for a shorter period of time. Of the \$3.2 billion, about \$500 million constitute Ford Credit bank lines (about \$200 million global and about \$300 million non-global) and \$2.7 billion are FCE bank lines (\$2.6 billion global and about \$100 million non-global). The Ford Credit global credit facilities may be used, at our option, by any of our direct or indirect, majority owned subsidiaries. Similarly, the FCE global credit facilities may be used, at FCE's option, by any of FCE's direct or indirect, majority owned subsidiaries. We or FCE, as the case may be, will guarantee any such borrowings. All of the global credit facilities are free of material adverse change clauses, restrictive financial covenants (for example, debt-to-equity limitations and minimum net worth requirements) and credit rating triggers that could limit our ability to obtain funding.

In addition, at July 1, 2007, banks provided \$17.6 billion of contractually committed liquidity facilities to support our two on-balance sheet asset-backed commercial paper programs; \$17.3 billion supported our FCAR program and \$300 million supported our Motown NotesSM wholesale securitization program ("Motown Notes"). Of the contractually committed liquidity facilities, 46% (or \$8 billion) are committed through June 30, 2012, and the remainder are committed for a shorter period of time. Utilization of each of these facilities is subject to conditions specific to each program and our having a sufficient amount of securitizable assets. The FCAR program must be supported by liquidity facilities equal to at least 100% of its outstanding balance. At July 1, 2007, \$17 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, and the remaining \$300 million of FCAR's bank liquidity facilities were available to support FCAR's purchase of our asset-backed securities. The Motown Notes program must be supported by liquidity facilities equal to at least 5% of its outstanding balance. The Motown Notes program bank liquidity facilities are available to support the issuance of Motown Notes, but these facilities cannot be accessed directly to fund the purchase of our wholesale receivables. We are not presently issuing Motown Notes, but may resume issuance in the future. Our ability to issue Motown Notes is subject to investor demand. At July 1, 2007, the outstanding balances were \$14.6 billion for the FCAR program and zero for the Motown Notes program.

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

Liquidity Risks

Refer to the “Liquidity” section of Item 7 of Part II of our 2006 10-K Report for a list of factors that could affect our liquidity.

Off-Balance Sheet Arrangements

The following table illustrates our worldwide activity in off-balance sheet securitizations and whole-loan sale transactions for the periods indicated:

	Second Quarter		First Half	
	2007	2006	2007	2006
	(in billions)			
North America segment				
Public retail.....	\$ —	\$ —	\$ —	\$ —
Retail conduit.....	—	—	0.7	1.0
Motown Notes program	—	—	—	—
Public wholesale	—	—	—	—
Canada and other.....	—	—	—	—
Total North America segment.....	—	—	0.7	1.0
International segment				
Europe				
Public retail.....	—	—	—	0.1
Retail conduit.....	—	0.1	—	0.1
Total Europe	—	0.1	—	0.2
Asia-Pacific.....	—	—	—	—
Latin America	—	0.3	—	0.7
Total International segment	—	0.4	—	0.9
Net proceeds.....	—	0.4	0.7	1.9
Whole-loan sales	—	—	—	1.0
Total net proceeds	<u>\$ —</u>	<u>\$ 0.4</u>	<u>\$ 0.7</u>	<u>\$ 2.9</u>

In the first half of 2007, total net proceeds from off-balance sheet securitizations were about \$700 million, down \$2.2 billion compared with a year ago. The decrease in net proceeds reflected lower utilization of off-balance sheet securitizations and whole-loan sales transactions.

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

The Effect of Off-Balance Sheet Receivables Sales Activity on Financial Reporting

The following table summarizes activity related to off-balance sheet sales of receivables reported in *Investment and other income related to sales of receivables* for the periods indicated:

	Second Quarter		First Half	
	2007	2006	2007	2006
	(in millions)			
Servicing fees	\$ 33	\$ 54	\$ 71	\$ 112
Interest income on retained interests.....	9	8	18	16
Net gain on sales of receivables	—	30	5	54
Income on residual interest and other	60	98	117	191
Investment and other income related to sales of receivables.....	102	190	211	373
Less: Whole-loan income	(10)	(17)	(22)	(20)
Income related to off-balance sheet securitizations	<u>\$ 92</u>	<u>\$ 173</u>	<u>\$ 189</u>	<u>\$ 353</u>
Memo:				
Finance receivables sold (in billions)	\$ —	\$ 0.4	\$ 0.8	\$ 3.1
Servicing portfolio as of period-end (in billions).....	10.7	17.6	10.7	17.6
Pre-tax gain per dollar of retail receivables sold.....	—	7.4%	0.6%	1.7%

In the second quarter and first half of 2007, income related to off-balance sheet securitizations declined \$81 million and \$164 million, respectively, compared with a year ago. The declines primarily reflected amortization of the off-balance sheet securitization portfolio.

The following table shows, on an analytical basis, the earnings impact of our off-balance sheet securitizations as if we had reported them on-balance sheet and funded them through on-balance sheet asset-backed financings for the periods indicated:

	Second Quarter		First Half	
	2007	2006	2007	2006
	(in millions)			
Retail revenue	\$ 191	\$ 299	\$ 409	\$ 626
Borrowing cost	(110)	(164)	(230)	(340)
Net financing margin.....	81	135	179	286
Net credit losses.....	(14)	(19)	(32)	(42)
Income before income taxes.....	<u>\$ 67</u>	<u>\$ 116</u>	<u>\$ 147</u>	<u>\$ 244</u>
Memo:				
Income related to off-balance sheet securitizations	\$ 92	\$ 173	\$ 189	\$ 353
Recalendarization impact of off-balance sheet securitizations	25	57	42	109

In the second quarter and first half of 2007, the impact on earnings of reporting the sold receivables as off-balance sheet securitizations was \$25 million and \$42 million higher, respectively, than had these transactions been structured as on-balance sheet securitizations. This difference resulted from recalendarization effects caused by gain-on-sale accounting requirements. This effect will fluctuate as the amount of receivables sold in our off-balance sheet securitizations increases or decreases over time. All other things being equal, in a steady state of securitization activity, the difference between reporting securitizations on- or off-balance sheet in a particular year approaches zero.

Item 2. Management's 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 establishing pricing for retail, wholesale and lease financing, and assessing our capital structure. We refer to our shareholder's interest and our historical stockholder's equity as equity. We calculate leverage on a financial statement basis and on a managed basis using the following formulas:

$$\begin{array}{l} \text{Financial Statement Leverage} = \frac{\text{Total Debt}}{\text{Equity}} \\ \\ \text{Managed Leverage} = \frac{\text{Total Debt} + \text{Securitized Off-balance Sheet Receivables} - \text{Retained Interest in Securitized Off-balance Sheet Receivables} - \text{Cash, Cash Equivalents \& Marketable Securities}^* - \text{Adjustments for Hedge Accounting on Total Debt}}{\text{Equity} + \text{Minority Interest} - \text{Adjustments for Hedge Accounting on Equity}} \end{array}$$

* Excludes marketable securities related to insurance activities.

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

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Total debt	\$ 137.7	\$ 139.7
Total equity	12.4	11.8
Financial statement leverage (to 1).....	11.1	11.9

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

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Total debt	\$ 137.7	\$ 139.7
Securitized off-balance sheet receivables outstanding.....	9.3	12.2
Retained interest in securitized off-balance sheet receivables	(0.9)	(1.0)
Adjustments for cash, cash equivalents and marketable securities* ..	(16.7)	(21.8)
Adjustments for hedge accounting	(0.0)	(0.1)
Total adjusted debt.....	<u>\$ 129.4</u>	<u>\$ 129.0</u>
Total equity (including minority interest).....	\$ 12.4	\$ 11.8
Adjustments for hedge accounting	(0.2)	(0.5)
Total adjusted equity.....	<u>\$ 12.2</u>	<u>\$ 11.3</u>
Managed leverage (to 1).....	10.6	11.4

* Excludes marketable securities related to insurance activities.

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

Accounting Standards Issued But Not Yet Adopted

We have not yet adopted SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115 ("SFAS No. 159")*. Refer to Item 2 of Part I of our quarterly report on Form 10-Q for the quarter ended March 31, 2007 for further discussion of this standard.

We have not yet adopted SFAS No. 157, *Fair Value Measurements*. Refer to Item 7 of Part II of our 2006 10-K Report for further discussion of this standard.

Outlook

We expect pre-tax profits to be about \$1.3 billion to \$1.4 billion this year, excluding the impact of gains and losses related to market valuation adjustments from derivatives. Compared with our prior projection of \$1.2 billion, the improvement primarily reflects higher average receivables, lower operating costs, and continued good performance in our credit losses.

The lower earnings expected in 2007 compared with 2006 primarily reflect higher borrowing costs, lower credit loss reserve reductions, higher depreciation expense for leased vehicles and the costs associated with our North American business transformation initiative. We expect reductions in other operating costs to be a partial offset. At year-end 2007, we anticipate managed receivables will be about \$145 billion.

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:

- Continued decline in Ford's market share;
- Continued or increased price competition for Ford vehicles resulting from industry overcapacity, currency fluctuations or other factors;
- An increase in or acceleration of market shift away from sales of trucks, sport utility vehicles, or other more profitable vehicles, particularly in the United States;
- A significant decline in industry sales and our financing of those sales, particularly in the United States or Europe, resulting from slowing economic growth, geo-political events or other factors;
- Lower-than-anticipated market acceptance of new or existing Ford products;
- Continued or increased high prices for or reduced availability of fuel;
- Adverse effects from the bankruptcy or insolvency of, change in ownership or control of, or alliances entered into by a major competitor;
- Economic distress of suppliers that has in the past or may in the future require Ford to provide financial support or take other measures to ensure supplies of components or materials;
- Work stoppages at Ford or supplier facilities or other interruptions of supplies;
- Single-source supply of components or materials;
- The discovery of defects in Ford vehicles resulting in delays in new model launches, recall campaigns or increased warranty costs;
- Increased safety, emissions (e.g., CO₂), fuel economy or other (e.g., pension funding) regulation resulting in higher costs, cash expenditures and/or sales restrictions;
- Unusual or significant litigation or governmental investigations arising out of alleged defects in Ford products or otherwise;
- A change in Ford's requirements for parts or materials where it has entered into long-term supply arrangements that commit it to purchase minimum or fixed quantities of certain parts or materials, or to pay a minimum amount to the seller ("take-or-pay contracts");
- Adverse effects on our results from a decrease in or cessation of government incentives;
- Adverse effects on Ford's operations resulting from geo-political or other events;
- Substantial negative operating-related cash flows for the near- to medium-term affecting Ford's ability to meet its obligations, invest in its business or refinance its debt;

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

- Substantial levels of indebtedness adversely affecting Ford's financial condition or preventing Ford from fulfilling its debt obligations (which may grow because Ford is able to incur substantially more debt, including additional secured debt);

Ford Credit Related:

- Inability to access debt or securitization markets around the world at competitive rates or in sufficient amounts due to additional credit rating downgrades or otherwise;
- 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 regulations resulting in higher costs and/or additional financing restrictions;
- Changes in Ford's operations or changes in Ford's marketing programs could result in a decline in our financing volumes;

General:

- Labor or other constraints on Ford's or our ability to restructure its or our business;
- 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, investment returns, and health care cost trends);
- Currency or commodity price fluctuations; and
- Changes in interest rates.

We cannot be certain that any expectations, forecasts or assumptions made by management in preparing these forward-looking statements will prove accurate, or that any projections will be realized. It is to be expected that there may be differences between projected and actual results. Our forward-looking statements speak only as of the date of their initial issuance, and we do not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise. For additional discussion of these risk factors, see Item 1A of Part I of our 2006 10-K Report and Item 1A of Part I of Ford's 2006 10-K Report.

Other Financial Information

PricewaterhouseCoopers LLP ("PwC") has not audited the interim financial information included in this 10-Q Report. In reviewing such information, PwC has applied limited procedures in accordance with professional standards for reviews of interim financial information. Accordingly, you should restrict your reliance on their reports on such information. PwC is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their reports on the interim financial information because such reports do not constitute "reports" or "parts" of the registration statements prepared or certified by PwC within the meaning of Sections 7 and 11 of the Securities Act of 1933.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In our 2006 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 increase or decrease 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 June 30, 2007, all else constant, such an increase in interest rates would reduce our pre-tax cash flow by \$74 million over the next twelve months, compared with \$86 million at December 31, 2006. 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 Kenneth R. Kent, our Vice Chairman, 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 June 30, 2007 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 second quarter of 2007 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 entered into an agreement in July 2007 to sell a portion of our ownership in Volvofinans to the Sixth Swedish National Pension Fund ("AP6"). Volvofinans has been jointly owned by AB Volverkinvest, an investment company owned by the Volvo dealerships in Sweden, and us. When completed, AB Volverkinvest will continue to hold 50% of the shares, with AP6 holding 40%, and we will retain a 10% investment. Volvofinans finances the sale of Volvo and Renault vehicles through Volvo dealers in Sweden. This transaction is subject to approval from the Swedish Financial Supervisory Authority and the Swedish Competition Authority. The sale is expected to be completed by year end 2007.

Additional information about Ford can be found in Ford's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007, filed separately with the SEC and included as an exhibit to this report (without Financial Statements or Exhibits).

ITEM 6. EXHIBITS

Exhibits: please refer to the Exhibit Index on page 36.

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 agrees to furnish a copy of each of such instruments to the Securities and Exchange Commission 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/ Kenneth R. Kent
(Kenneth R. Kent)
Vice Chairman, Chief Financial Officer and Treasurer

Date: August 7, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of Ford Motor Credit Company LLC and its subsidiaries (the "Company") as of June 30, 2007 and the related consolidated statement of income for each of the three-month and six-month periods ended June 30, 2007 and 2006, the consolidated statement of shareholder's interest/equity as of June 30, 2007 and 2006, and the consolidated statement of cash flows for the six-month periods ended June 30, 2007 and 2006. 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 have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2006, and the related consolidated statements of income, stockholder's equity, and of cash flows for the year then ended, and in our report dated February 27, 2007 we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2006 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
August 7, 2007

FORD MOTOR CREDIT COMPANY LLC

EXHIBIT INDEX

<u>Designation</u>	<u>Description</u>	<u>Method of Filing</u>
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 August 7, 2007, relating to 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, 4 and 5 of Part II of Ford Motor Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007	Incorporated herein by reference to Ford Motor Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007. File No. 1-3950.

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

	<u>First Half</u>	<u>For the Years Ended December 31,</u>		
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(in millions)			
Earnings				
Income from continuing operations				
before income taxes	\$ 406	\$ 1,953	\$ 2,923	\$ 3,710
Less: Equity in net income/(loss)				
of affiliated companies	10	7	11	(2)
Fixed charges	<u>4,339</u>	<u>7,842</u>	<u>6,642</u>	<u>6,764</u>
Earnings before fixed charges	<u>\$ 4,735</u>	<u>\$ 9,788</u>	<u>\$ 9,554</u>	<u>\$ 10,476</u>
Fixed charges				
Interest expense	\$ 4,315	\$ 7,818	\$ 6,616	\$ 6,733
Rents	<u>24</u>	<u>24</u>	<u>26</u>	<u>31</u>
Total fixed charges	<u>\$ 4,339</u>	<u>\$ 7,842</u>	<u>\$ 6,642</u>	<u>\$ 6,764</u>
Ratio of earnings to fixed charges	1.09	1.25	1.44	1.55

For purposes of our ratio, earnings consist of the sum of pre-tax income from continuing operations before adjustment for minority interests in consolidated subsidiaries, less equity in net income or loss of affiliated companies, plus fixed charges. Fixed charges consist 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).

August 7, 2007

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

Re: Ford Motor Credit Company LLC (formerly Ford Motor Credit Company) Registration Statements
Nos. 333-131062 and 333-132557 on Form S-3 and No. 333-137066 on Form S-4

Commissioners:

We are aware that our report dated August 7, 2007 on our review of interim financial information of Ford Motor Credit Company LLC (the "Company") for the three-month and six-month periods ended June 30, 2007 and 2006 and included in the Company's quarterly report on Form 10-Q for the quarter ended June 30, 2007 is incorporated by reference in the aforementioned Registration Statements.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

Detroit, Michigan

CERTIFICATION

I, Michael E. Bannister, Chairman of the Board and Chief Executive Officer of Ford Motor Credit Company LLC, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 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: August 7, 2007

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

CERTIFICATION

I, Kenneth R. Kent, Vice Chairman, Chief Financial Officer and Treasurer of Ford Motor Credit Company LLC, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 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: August 7, 2007

/s/ Kenneth R. Kent
Kenneth R. Kent
Vice Chairman, 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 June 30, 2007, 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: August 7, 2007

FORD MOTOR CREDIT COMPANY LLC

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Kenneth R. Kent, Vice Chairman, 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 June 30, 2007, 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/ Kenneth R. Kent

Kenneth R. Kent

Vice Chairman, Chief Financial Officer and
Treasurer

Date: August 7, 2007