

Presale:

Ford Credit Auto Lease Trust 2024-A

January 11, 2024

Preliminary ratings

Class	Preliminary rating	Type	Interest rate	Preliminary amount (mil. \$)	Preliminary upsized amount (mil. \$)	Legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	220.30	280.38	Feb. 15, 2025
A-2a/A-2b(i)	AAA (sf)	Senior	Fixed/floating	421.50	536.44	July 15, 2026
A-3	AAA (sf)	Senior	Fixed	389.55	495.78	May 15, 2027
A-4	AAA (sf)	Senior	Fixed	68.66	87.40	June 15, 2027
B	AA (sf)	Subordinate	Fixed	49.47	62.96	June 15, 2027
C(ii)	NR	Subordinate	Fixed	61.79	78.64	July 15, 2027
D(ii)	NR	Subordinate	Fixed	65.91	83.87	Oct. 15, 2028

Note: This presale report is based on information as of Jan. 11, 2024. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i) The allocation of the initial principal amount between the class A-2a and A-2b notes will be determined on or before the day of pricing, though the principal balance of the class A-2b notes may not exceed 60% of the aggregate principal balance of the class A-2 notes. The class A-2b interest rate will be a floating rate indexed to the 30-day average SOFR plus a margin (to be determined). (ii) The class C and D notes will initially be retained by the depositor. NR--Not rated.

Profile

Expected closing date	Jan. 22, 2024.
Collateral	Prime auto lease receivables.
Titling companies	CAB East LLC and CAB West LLC.
Originator, servicer, and administrator	Ford Motor Credit Co. LLC (BBB-/Stable/A-3).
Depositor	Ford Credit Auto Lease Two LLC.
Issuer	Ford Credit Auto Lease Trust 2024-A.
Collateral agent	HTD Leasing LLC.
Administrative agent and bank account provider	U.S. Bank N.A. (A+/Stable/A-1)
Indenture trustee	U.S. Bank Trust Co. N.A.
Owner trustee	The Bank of New York Mellon.

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Profile

Delaware trustee

BNY Mellon Trust of Delaware.

Rationale

The preliminary ratings assigned to Ford Credit Auto Lease Trust 2024-A's (FCALT 2024-A) asset-backed notes reflect our view of:

- The availability of approximately 25.0% and 21.7% credit enhancement for the class A and B notes, respectively (applicable for both the base and upsized structures), in the form of 12.90% and 9.30% subordination, respectively, for the class A and B notes; 7.00% overcollateralization, which will build to a target of 9.80% of the initial securitization value; a 0.25% nonamortizing reserve account; and excess spread. (All percentages are of the pool's initial aggregate securitization value.)
- Our expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary ratings on the class A and B notes will remain consistent with the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023.
- The timely interest and full principal payments made by the notes' legal final maturity dates under cash flow scenarios that were stressed for credit, residual, and incentive program losses consistent with the assigned preliminary ratings.
- The credit quality and residual-value characteristics of the securitized pool of prime auto lease receivables, together with our view of the credit risk and residual-value risk of the collateral pool, our updated macroeconomic forecast, and forward-looking view of the auto finance sector.
- The diversified mix of vehicle models and types in the pool.
- The expected timing of the residuals' maturities.
- The historical residual retention values of vehicles in the pool.
- Automotive Lease Guide's (ALG) forecast of each vehicle's residual value at lease inception and of current residuals.
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings.
- Our operational risk assessment of Ford Motor Credit Co. LLC (Ford Credit) as originator, servicer, and administrator, along with our view of the company's experience and track record in underwriting, servicing, residual setting, and remarketing.
- Our assessment of the transaction's potential exposure to environmental, social, and governance credit factors, which are in line with our sector benchmark.
- The transaction's payment and legal structures.

Our expected base-case credit loss for the FCALT 2024-A pool is 0.80% of the securitization value, unchanged from FCALT 2023-B. Our expected cumulative net loss (CNL) reflects the credit performance of Ford Credit's auto lease securitizations, our static pool loss projections for Ford Credit's lease originations, the series 2024-A collateral composition, peer comparisons, and a forward-looking view of the U.S. economy. Our 'AAA' stressed scenario for credit losses is approximately 4.0% of the securitization value.

Our 'AAA' and 'AA' residual stress levels for the series 2024-A pool are approximately 27.6% and 21.2%, respectively, of the pool's aggregate undiscounted base residual value. After applying these stresses to the residual value portion of the pool (80.42%; 80.37% if upsized) and the portion of nondefaulting leases ('AAA': 92.0% and 'AA': 93.6%), our 'AAA' and 'AA' residual stress levels constituted approximately 20.4% and 15.2%, respectively, of the securitization value.

Overall, our aggregate 'AAA' and 'AA' loss levels are 24.7% and 18.6%, respectively, of the securitization value. These levels include our stressed losses for waived payment risk. In our view, the credit enhancement outlined above (and in the Cash Flow Modeling Assumptions And Results section below) provides adequate support for the assigned preliminary ratings.

Environmental, Social, And Governance Factors

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, to social credit factors as average, and to governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published March 31, 2021).

In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark. Environmental credit factors are generally viewed as above average, given that the collateral pool primarily comprises vehicles with internal combustion engines (ICEs), which emit pollutants that contribute to climate transition risks. While the adoption of electric vehicles and future regulation could in time lower ICE vehicle values, we believe our current approach to evaluating recovery and residual values adequately accounts for vehicle values over the transaction's relatively short expected life. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

Credit Enhancement And Collateral

Structural changes from FCALT 2023-B

Notable credit enhancement and structural changes from series 2023-B include:

- Initial hard enhancement for the class A notes decreased to 20.15% from 23.20% as a result of a decrease in subordination to 12.90% from 15.95%.
- Initial hard enhancement for the class B notes decreased to 16.55% from 17.85% as a result of a decrease in subordination to 9.30% from 10.60%.
- Target overcollateralization increased to 9.80% of the initial total securitization value from 9.50%.

Table 1 shows the credit enhancement changes from recent transactions.

Table 1

Credit enhancement summary(i)

	FCALT 2024-A			FCALT 2024-A (if upsized)			FCALT 2023-B			FCALT 2023-A		
	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
Class A credit enhancement												
Subordination (%)	12.90	12.90	12.90	12.90	12.90	12.90	15.95	15.95	15.95	15.95	15.95	15.95
Overcollateralization (%)	7.00	9.80	9.80	7.00	9.80	9.80	7.00	9.50	9.50	7.00	9.50	9.50
Reserve account (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	20.15	22.95	22.95	20.15	22.95	22.95	23.20	25.70	25.70	23.20	25.70	25.70
Class B credit enhancement												
Subordination (%)	9.30	9.30	9.30	9.30	9.30	9.30	10.60	10.60	10.60	10.60	10.60	10.60
Overcollateralization (%)	7.00	9.80	9.80	7.00	9.80	9.80	7.00	9.50	9.50	7.00	9.50	9.50
Reserve account (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	16.55	19.35	19.35	16.55	19.35	19.35	17.85	20.35	20.35	17.85	20.35	20.35
Class C credit enhancement												
Subordination (%)	4.80	4.80	4.80	4.80	4.80	4.80	4.00	4.00	4.00	4.00	4.00	4.00
Overcollateralization (%)	7.00	9.80	9.80	7.00	9.80	9.80	7.00	9.50	9.50	7.00	9.50	9.50
Reserve account (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	12.05	14.85	14.85	12.05	14.85	14.85	11.25	13.75	13.75	11.25	13.75	13.75
Class D credit enhancement												
Overcollateralization (%)	7.00	9.80	9.80	7.00	9.80	9.80	7.00	9.50	9.50	7.00	9.50	9.50
Reserve account (%)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	7.25	10.05	10.05	7.25	10.05	10.05	7.25	9.75	9.75	7.25	9.75	9.75
Estimated excess spread per year (%) (ii)	4.47	--	--	4.47	--	--	4.49	--	--	4.44	--	--
Discount rate (%)	11.35	--	--	11.35	--	--	11.80	--	--	11.80	--	--
Initial aggregate securitization value (\$)	1,373,301,246	--	--	1,747,842,074	--	--	1,297,905,660	--	--	1,622,323,305	--	--
Total securities issued (\$)	1,277,170,000	--	--	1,625,470,000	--	--	1,207,050,000	--	--	1,508,750,000	--	--

(i) All percentages are based on the initial aggregate securitization value. (ii) Estimated excess spread per year before pricing. FCALT--Ford Credit Auto Lease Trust.

Collateral changes from FCALT 2023-B

Notable changes in the collateral composition from series 2023-B include:

- The percentage of leases with an original term less than or equal to 24 months increased to 14.52% (14.47% if upsized) from 11.49%;
- The percentage of leases with an original term of 48 months increased to 8.17% (8.25% if

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upsized) from 6.85%;

- The percentage of F-150 models increased to 30.08% of the base residual value (30.06% if upsized) from 26.84%; and
- The percentage of leases with Michigan billing addresses increased to 28.84% (28.75% if upsized) from 25.19%.

The FCALT 2024-A securitized pool consists of 41,923 (53,352 if upsized) prime auto lease receivables with a weighted average FICO score of 764 (see table 2). Most of the pool consists of leases with 36- to 39-month original terms. The top five vehicle models represent approximately 71.55% (71.58% if upsized) of the initial base residual value.

The series 2024-A pool's collateral characteristics are generally comparable to series 2023-B, in our view.

Table 2

Collateral comparison

	Ford Credit Auto Lease Trust					
	2024-A	2024-A (if upsized)	2023-B	2023-A	2022-A	2021-B
No. of leases	41,923	53,352	39,773	54,237	53,158	53,191
Initial total securitization value (\$)	1,373,301,246	1,747,842,074	1,297,905,660	1,622,323,305	1,622,399,421	1,622,326,753
Avg. securitization value (\$)	32,758	32,761	32,633	29,912	30,520	30,500
Top five vehicles by model (%) (i)						
F-150	30.08	30.06	26.84	24.03	17.09	21.11
Explorer	18.77	18.77	21.72	27.11	24.69	23.28
Edge	8.48	8.48	8.22	9.03	8.65	7.98
Escape	8.11	8.18	7.33	9.43	9.19	10.06
Expedition(ii)	6.11	6.09	7.22	6.35	6.66	5.12
Base residual value (\$)	1,104,355,552	1,404,694,823	1,043,199,868	1,313,645,760	1,226,466,188	1,181,241,026
Avg. base residual value (\$)	26,342	26,329	26,229	24,220	23,072	22,208
Weighted avg. original term (mos.)	35.7	35.7	36.0	36.1	36.4	36.2
Weighted avg. remaining term (mos.)	23.3	23.3	23.8	23.6	24.3	24.5
Weighted avg. seasoning (mos.)	12.4	12.4	12.2	12.5	12.2	11.7
Original term (mos.)						
Up to 24	14.52	14.47	11.49	8.14	3.77	3.92
36	62.70	62.68	62.70	70.89	77.60	78.45
39	14.61	14.60	18.95	16.00	14.97	15.58
48	8.17	8.25	6.85	4.96	3.65	2.05
Weighted avg. FICO score	764	764	764	762	760	759

Table 2

Collateral comparison (cont.)

	Ford Credit Auto Lease Trust					
	2024-A	2024-A (if upsized)	2023-B	2023-A	2022-A	2021-B
Base residual value (% of the initial aggregate securitization value)	80.42	80.37	80.38	80.97	75.60	72.81
Base residual value (% of the adjusted MSRP)	50.35	50.33	50.79	51.08	48.83	48.13
Top five state concentrations (%)						
	MI=28.84	MI=28.75	MI=25.19	NY=16.92	NY=17.12	MI=20.75
	NY=14.47	NY=14.42	NY=16.13	MI=14.50	MI=16.51	NY=15.43
	NJ=7.69	NJ=7.80	NJ=8.24	NJ=10.79	NJ=9.50	CA=9.65
	CA=7.19	CA=7.21	CA=7.44	OH=9.34	CA=9.11	NJ=8.72
	OH=6.52	OH=6.51	OH=6.99	CA=8.14	OH=7.41	OH=7.17

(i)As a percentage of the initial aggregate base residual value. (ii)Nautilus model for series 2023-A. MSRP--Manufacturer's suggested retail price.

Macroeconomic And Auto Finance Sector Outlook

In our analysis, we considered the economic data and forecasts outlined in table 3 and their baseline effect on collateral credit quality in determining our base-case expected loss level. Historically, changes in the unemployment rate have been a key determinant of charge-offs in the auto finance industry.

The U.S. economy has continued to outperform expectations. Better-than-expected growth has led us to revise our 2024 U.S. GDP forecast upward by 0.2 percentage points to 1.5%. However, this is down from 2023's forecast GDP growth of 2.4% because the market's resilience will be tested going forward, as real interest rates stay relatively high in the coming year and the lags of tightened monetary policy feed through the economy. Other reasons for caution include:

- Real disposable income has declined four months in a row, with the savings rate falling to a very low 3.4% in September (well below the pre-COVID-19 pandemic average) from the 5.1% average in the second quarter of 2023;
- Consumers are showing signs of strain due to increased debt loads, and, according to Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and
- Student loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023 with an average payment of approximately \$300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt took on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed,

which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking," published Nov. 28, 2023). We're already seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down 6.1% from a year ago, a decline whose magnitude has in the past been a harbinger of a recession.

Table 3

U.S. economic factors

	Actual	Forecast			
	2022	2023	2024	2025	2026
Real GDP (% year-over-year growth)	2.1	2.4	1.5	1.4	1.8
Unemployment rate (% annual average)	3.6	3.7	4.3	4.6	4.5
Consumer Price Index (% annual average)	8.0	4.1	2.4	2.1	2.1

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics' forecasts.

In the auto market, as new vehicle supply imbalances continue to ease and borrowing rates continue to rise, we would expect used vehicle values to continue to normalize to historical levels.

S&P Global Ratings' Stressed Losses

We determined our stressed credit and residual losses for the FCALT 2024-A transaction by analyzing:

- The credit quality and collateral characteristics of the securitized pool of auto leases (see table 2);
- Ford Credit's managed new lease portfolio performance (see table 4);
- Ford Credit's origination static pool loss performance by various cross-segments;
- FCALT's securitization credit and residual performance;
- Comparisons of collateral pool characteristics and securitization performance to peers;
- Our consideration of the derivation of the transaction's base residual value;
- The residual maturity profile and diversification of residual risk exposure relative to our benchmark pool; and
- The relative accuracy of the ALG's residual value forecasts and used vehicle prices of the related vehicles in the securitized pool.

Managed Portfolio

As of September 2023, Ford Credit's total serviced lease portfolio had:

- On average, 509,257 contracts totaling \$17.42 billion (see table 4), representing a 16% decline in the average portfolio outstanding from September 2022.
- Total delinquencies of 0.83% as a percentage of the average number of leases outstanding, which is up slightly from 0.78% in September 2022.
- Net credit losses of 0.07% as a percentage of the average portfolio outstanding, compared to zero net credit losses in September 2022. Net losses remain low compared to pre-pandemic levels.
- A residual gain on returned vehicles equal to 30.59% of the vehicles' ALG-forecast base residual value, compared with 47.86% in September 2022.
- An increased vehicle return rate to 20.22% from 10.19% in September 2022, which is still lower than pre-pandemic levels.

Table 4

Managed portfolio--Ford Motor Credit Co.

	Nine months ended Sept. 30		Year ended Dec. 31				
	2023	2022	2022	2021	2020	2019	2018
Avg. no. of leases outstanding	509,257	653,736	633,451	799,725	934,812	1,002,301	1,018,021
Avg. portfolio outstanding during the period (mil. \$)	17,421	20,840	20,348	24,199	26,915	27,885	27,451
Avg. delinquencies (% of the average number of leases outstanding)	0.83	0.78	0.80	0.62	0.71	0.78	0.82
Repossessions (% of the avg. no. of leases outstanding)(i)	0.47	0.38	0.40	0.39	0.50	0.62	0.69
Net losses/(gains) (% of the avg. portfolio outstanding)(i)	0.07	0.00	0.02	(0.03)	0.15	0.29	0.31
Return rate (%)	20.22	10.19	11.61	32.65	67.12	75.19	74.64
Total gain/(loss) on ALG base residual values on vehicles returned to Ford Motor Credit Co. (% of the ALG's base residual value of returned vehicles sold by Ford Motor Credit Co.)	30.59	47.86	42.50	47.85	14.13	3.95	4.87

(i) Annualized for non-annual periods. ALG--Automotive Lease Guide.

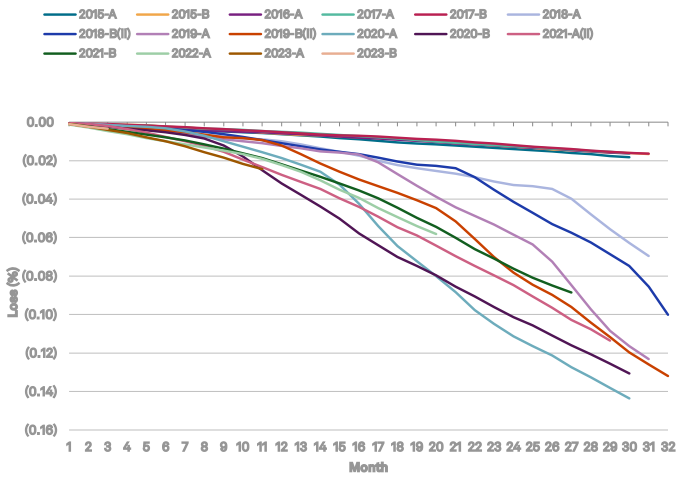
Securitization Performance

Ford Credit's auto lease securitizations have consistently demonstrated stable credit loss performance. Cumulative net credit losses on Ford Credit's paid-off transactions that closed in 2009 through 2021 ranged from -0.22% (a gain) to 0.53% (see chart 1). Current CNL performance on the outstanding transactions is trending between 0.01% and 0.08%. In addition, Ford Credit has realized residual value gains on its securitizations since 2015 (see chart 2).

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Chart 1

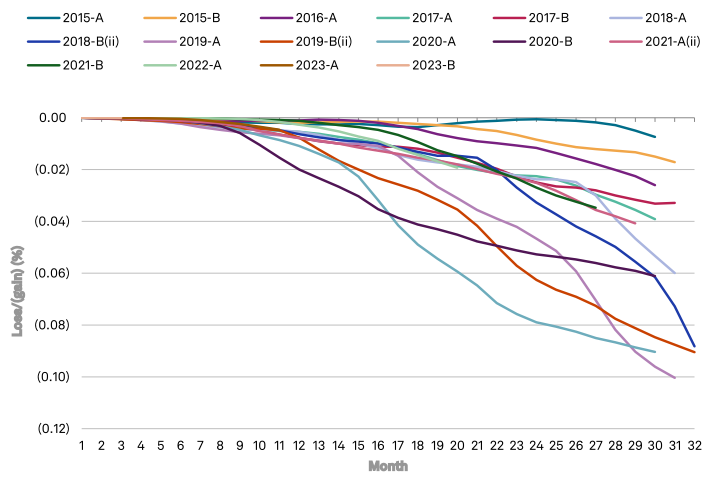
FCALT cumulative net losses as a percentage of initial securitization value (2015-2023)(i)



(i)Data is provided by Ford Motor Credit Co. (ii)Not rated by S&P Global Ratings. FCALT--Ford Credit Auto Lease Trust. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 2

FCALT cumulative residual loss/(gain) on vehicles returned and sold as a percentage of initial base residual value (2015-2023)(i)



(i)Data is provided by Ford Motor Credit Co. (ii)Not rated by S&P Global Ratings. FCALT--Ford Credit Auto Lease Trust. Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

We currently maintain ratings on four FCALT transactions: series 2021-B, 2022-A, 2023-A, and 2023-B (see table 5).

Following S&P Global Ratings' upgrade of our issuer credit rating on Ford Motor Co. to the investment-grade threshold, we analyzed the impact of removing the speculative-grade haircut to base residual values and took various rating actions as a result. On Nov. 1, 2023, we affirmed our ratings on classes A-4 and B from series 2021-B and raised our ratings on class C (see "Various Rating Actions Taken On 11 Classes From Four Ford Credit Auto lease Trust Deals After Upgrade on Ford Motor Co.," published Nov. 3, 2023). On Dec. 21, 2023, we raised our ratings on eight classes from FCALT series 2022-A, 2023-A, and 2023-B (see "Eight Ratings Raised On Three Ford Credit Auto Lease Trust Transactions," published Dec. 21, 2023).

As of the November 2023 monthly investor report (December 2023 distribution date), all outstanding FCALT series (2021-B, 2022-A, 2023-A, and 2023-B) are performing in line with or better than our expectations (see table 5).

We will continue to monitor each outstanding transaction's performance to determine if any rating action is deemed appropriate.

Table 5

Performance data for outstanding FCALT transactions as of the December 2023 distribution date(i)

Series	Month	Pool factor (%)	Current cumulative net credit loss (%) (i)(ii)	60-plus-day delinq. (%)	Current cumulative residual loss/(gain) (%) (iii)
2021-B	27	21.89	(0.01)	0.16	(4.08)
2022-A	20	48.04	0.08	0.17	(3.47)
2023-A	11	77.57	0.04	0.12	(0.46)

Table 5

Performance data for outstanding FCALT transactions as of the December 2023 distribution date(i) (cont.)

Series	Month	Pool factor (%)	Current cumulative net credit loss (%) (i)(ii)	60-plus-day delinq. (%)	Current cumulative residual loss/(gain) (%) (iii)
2023-B	3	96.15	0.00	0.07	0.00

(i) All series' original ECNL was 0.80%. On June 15, 2023, series 2021-B and 2022-A ECNL were revised to up to 0.15% and 0.35%. (ii) As a percentage of the aggregate initial securitization value. (iii) Cumulative residual loss/(gain) on vehicles returned and sold as a percentage of initial base residual value. FCALT--Ford Credit Auto Lease Trust. Delinq.--Delinquencies. ECNL--Expected cumulative net loss.

Series 2024-A Credit Loss

The obligor's credit profile determines the credit risk. To derive the base-case credit loss for the FCALT 2024-A transaction, we used the static pool credit loss data Ford Credit provided to project losses on its portfolio of lease originations segmented by credit tier, vehicle type, and lease term. We weighted the projections by the actual concentration of those various segments in the series 2024-A pool. We also considered the consistent and stable loss performance of Ford Credit's auto lease securitizations, peer performance, the series 2024-A pool's collateral credit quality compared with other FCALT pools and peer collateral pools, and our forward-looking view of the economy. Based on this information, we expect the series 2024-A pool's cumulative net credit loss to be 0.80% of the pool's securitization value, unchanged from series 2023-B.

Series 2024-A Residual Loss

In our analysis of the series 2024-A pool's base residual value, we considered:

- The stability of historical used vehicle values on the top vehicle makes and models;
- The basis behind ALG's current forecast;
- The basis for the differences between the actual values and the forecasts;
- The base residual values of the top 10 vehicle models, which make up over 85% of the series 2024-A pool's initial aggregate base residual value;
- Ford Motor Co.'s near-term plans, if any, to discontinue or update the vehicle series in question;
- The lease maturity profile of the pool;
- Brand perception; and
- Our macroeconomic outlook.

Base haircut

We first applied initial rating-specific haircuts of 26.0% and 20.0% to the FCALT 2024-A pool's base residual value, commensurate with 'AAA' and 'AA' rating scenarios, respectively, as outlined in our auto lease criteria.

Excess concentration haircut

In addition to the base residual value haircuts, we applied a haircut to the nondefaulted lease residual amounts that exceed the concentration limits applicable to the benchmark pool (excess concentrations), as outlined in our auto lease criteria. The haircuts to excess concentrations are 13.0% and 10.0%, commensurate with 'AAA' and 'AA' rating scenarios, respectively.

Based on our calculations, the FCALT 2024-A pool has a total excess concentration of approximately 12.3% due to the higher concentration of F-150s and the pool's residual maturity distribution (see table 6).

Table 6

Benchmark pool excess concentrations (%)⁽ⁱ⁾

	FCALT 2024-A	FCALT 2024-A (if upsized)	Benchmark pool concentration limit	Excess concentration	Excess concentration (if upsized)
One-month maturity exceeding the benchmark					
June 2026	5.43	5.43	5.00	0.43	0.43
July 2026	5.32	5.40	5.00	0.32	0.40
August 2026	5.60	5.58	5.00	0.60	0.58
September 2026	5.39	5.48	5.00	0.39	0.48
October 2026	5.43	5.40	5.00	0.43	0.40
Individual models					
F-150	30.08	30.06	20.00	10.08	10.06
Large/full-size ICE vehicles	39.44	39.46	40.00	--	--
Small/compact ICE cars	0.00	0.00	30.00	--	--
New models	7.25	7.23	10.00	--	--
Discontinued models	0.76	0.75	10.00	--	--
Plug-in hybrid/battery electric vehicles	3.80	3.75	10.00	--	--
Total excess concentration	--	--	--	12.25	12.35

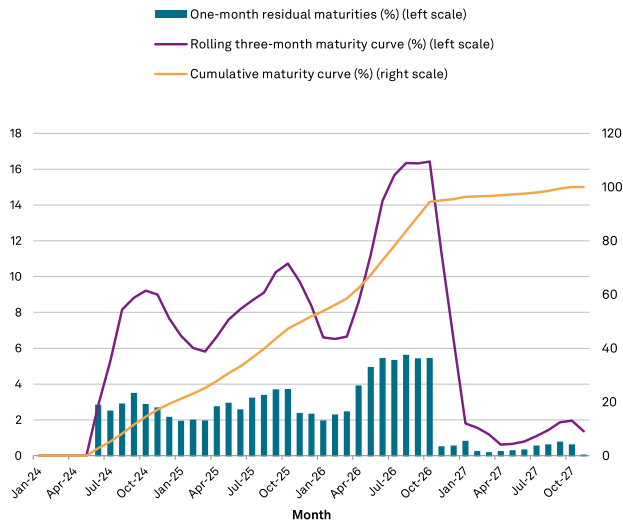
⁽ⁱ⁾As a percentage of the initial aggregate base residual value. FCALT--Ford Credit Auto Lease Trust. ICE--Internal combustion engine.

The total excess concentration is multiplied by the relevant haircut to arrive at the additional haircut percentage for each rating category. This resulted in additional haircuts to the base residual value of approximately 1.6% and 1.2% under our 'AAA' and 'AA' rating scenarios, respectively.

FCALT 2024-A is diversified in terms of monthly residual maturities. In general, leases will mature monthly beginning in June 2024 (see charts 3 and 4). Residual maturities will exceed 5.00% in June 2026 through October 2026. The highest monthly maturity is 5.60%, which will occur in August 2026. The highest percentage of base residual value maturities in any three-month period is 16.42% (16.46% if upsized), which will occur in October 2026. Approximately 73.00% of the lease residuals are expected to mature before the second quarter of 2026.

Chart 3

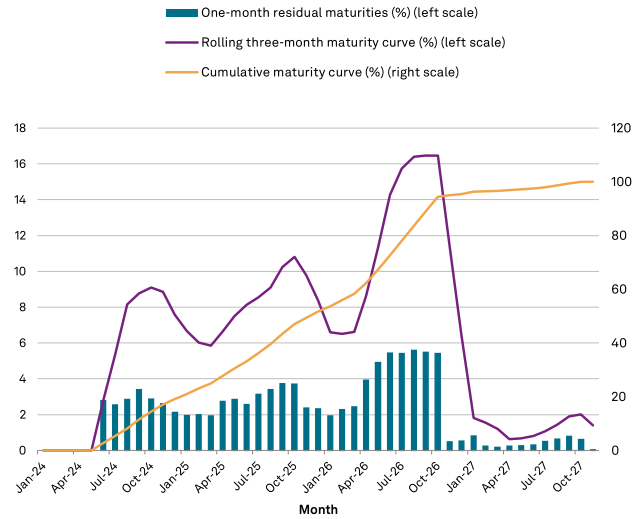
Lease maturity profile



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Chart 4

Lease maturity profile (if upsized)



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Speculative-grade manufacturer haircut

We also look at the auto manufacturer's creditworthiness when determining the stress applied to the adjusted base residual value. Our auto lease criteria apply haircuts to the base residual value of the vehicles produced by manufacturers that have speculative-grade issuer credit ratings (i.e., 'BB+' or lower).

Ford Motor Co. is the manufacturer of the leased vehicles backing the series 2024-A pool. On Oct. 30, 2023, S&P Global Ratings raised its long-term issuer credit rating on Ford Motor Co. and its subsidiaries to 'BBB-' from 'BB+' due to improving margins and financial flexibility (see "Ford Motor Co. And Subsidiary Upgraded to 'BBB-' On Improving Margins and Financial Flexibility; Outlook Stable," published Oct. 30, 2023). Given the investment-grade issuer credit rating for Ford Motor Co. (BBB-/Stable/A-3), it is not necessary to apply a speculative-grade manufacturer haircut to the series 2024-A transaction under our current auto criteria.

For transactions rated prior to Ford Motor Co.'s ratings upgrade to the investment-grade category, we had assessed an initial speculative-grade manufacturer haircut, which resulted in an increase to our residual value stress of up to 4%. Since the upgrade, we have eliminated this haircut on outstanding FCALT transactions. (For more details, see Securitization Performance section, "Various Rating Actions Taken On 11 Classes From Four Ford Credit Auto lease Trust Deals After Upgrade on Ford Motor Co.," published Nov. 3, 2023, and "Eight Ratings Raised on Three Ford Credit Auto Lease Trust Transactions," published Dec. 21, 2023.)

Low diversification haircut

For pools with low diversification, as described below, residual-value haircuts are typically further adjusted by applying an additional component generally equal to 50% of the excess concentration haircut determined in the tables above. This additional haircut usually applies to lease pools that

have one or more of the following characteristics:

- More than 20% of the residuals will mature in any one month;
- More than 50% of the residuals will mature in any three months;
- The pool contains three or fewer individual models;
- The pool contains more than 75% of large- and full-size ICE vehicles, combined;
- The pool contains more than 75% of small and compact ICE cars, combined;
- The pool contains more than 20% of new models; and
- The pool contains more than 20% of discontinued models.

The FCALT 2024-A pool does not meet any of these seven conditions. Therefore, we did not apply the low-diversification haircut.

Total stressed residual losses

After analyzing the FCALT 2024-A lease pool, applying the relevant residual value haircuts, and assessing stressed return rates of 100.0% and 95.0% at the respective 'AAA' and 'AA' rating levels, we determined that our stressed residual loss is approximately 20.4% and 15.2% under our 'AAA' and 'AA' scenarios, respectively, as a percentage of the initial securitization value (see table 8).

Table 8

Stressed residual loss

	Rating scenarios (preliminary)	
	AAA	AA
Residual haircut (% of undiscounted base residual value)	26.0	20.0
Additional excess concentration haircut (%) ⁽ⁱ⁾	1.6	1.2
ALG residual drift (%)	--	--
Speculative-grade manufacturer haircut (%)	--	--
Total residual haircut (% of base residual value)	27.6	21.2
Total residual haircut (% of securitization value)	20.4	15.2

⁽ⁱ⁾The excess concentration haircuts are derived by multiplying the total excess concentration calculated in table 6 by 13.0% and 10.0% for the 'AAA' and 'AA' rating scenarios, respectively. ALG--Automotive Lease Guide.

Series 2024-A Other Loss Considerations

Our analysis also considered the potential for losses due to waived payments. Waived payments occur in FCALT transactions when, as part of Ford Credit's Early Bird incentive program, a dealer offers the lessee an option to terminate the lease early and waive all remaining lease payments if the lessee agrees to finance a new lease or loan contract with Ford Credit. Typically, the dealer will reimburse the trust for the waived payments, and Ford Credit then reimburses the dealer.

These waived payments can be a loss to the trust if the dealer fails to remit the waived amounts timely and in full to the trust. To address this risk, we incorporated an estimated loss for waived payments in our cash flow scenarios. We reviewed historical offer and acceptance rates and the number of waived payments offered under Ford Credit's Early Bird program. Our waived payment

stress was approximately 0.25% and 0.20% under our 'AAA' and 'AA' rating scenarios, respectively.

Legal Overview And Transaction Structure

Legal overview

In rating this transaction, we will review the legal matters we believe are relevant to our analysis, as outlined in our criteria.

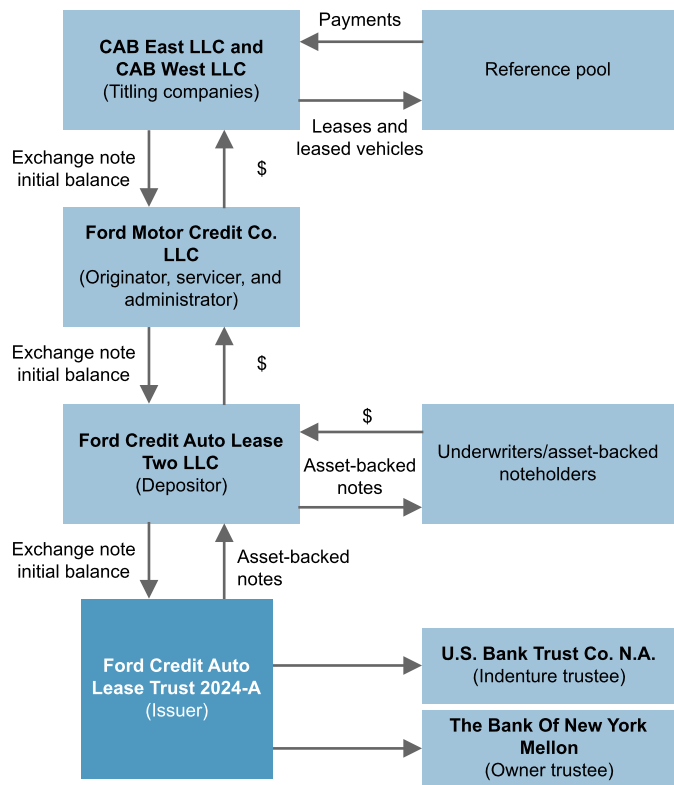
Ford Credit's titling companies, CAB East LLC and CAB West LLC, purchase newly originated leases and the related leased vehicles from Ford and Lincoln dealers. The leased vehicles are titled in the respective titling company's name, and the collateral agent is named as the secured party on the title certificate.

For FCALT 2024-A, the titling companies will issue to Ford Credit an exchange note that will be backed by a reference pool of leases and leased vehicles they purchased from dealers. The reference pool will have an initial total securitization value of \$1,373,301,246 (\$1,747,842,074 if upsized), and the exchange note will have an initial balance of \$1,316,670,103 (\$1,675,742,268 if upsized). The exchange note is secured by a security interest in and is payable from the collections on the leases and the related leased vehicles in the designated reference pool.

Ford Credit will sell the exchange note related to the FCALT 2024-A collateral to Ford Credit Auto Lease Two LLC, the depositor, in a true sale. The depositor will then sell the exchange note to FCALT 2024-A, a newly formed Delaware statutory trust, in a second true sale (see chart 5). The trust will finance this purchase by issuing asset-backed notes, which are secured under an indenture between the issuer and the indenture trustee. The owner trustee pledges all rights under the exchange note, including the rights to payments due on the exchange note, and the collateral to the indenture trustee to secure payments on the asset-backed notes.

Chart 5

Transaction structure



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Pension Benefit Guaranty Corp.

Each titling company grants a security interest in all newly originated leases and leased vehicles to HTD Leasing LLC, a third-party collateral agent. The security interest in the leases is perfected by filings under the Uniform Commercial Code, and the security interest in the leased vehicles is perfected by lien notation on the vehicle's title certificate under state motor vehicle registration laws.

S&P Global Ratings has received a legal opinion from Ford Credit confirming that, subject to customary assumptions and qualifications, the collateral agent's security interest in the leases and leased vehicles would occur before any Pension Benefit Guaranty Corp. (PBGC) lien if the notice of lien is filed after the closing date. A PBGC lien could be imposed against the assets of any member of the Ford Motor Co.-controlled group if the unpaid minimum contributions are not paid to a defined benefit pension plan as required by law or if an underfunded defined benefit pension plan is terminated.

Transaction Overview

FCALT 2024-A is Ford Credit's 25th public auto lease transaction since 2011. The transaction structure incorporates:

- An initial reserve amount of 0.25% of the initial securitization value;
- An overcollateralization amount of 7.00% that builds to a target of 9.80% of the initial securitization value;
- Subordination of 12.90% and 9.30% for the class A and B notes, respectively; and
- Estimated excess spread of approximately 4.47% per year.

The transaction also uses a sequential payment method in which no hard credit support is released from the transaction until all of the rated notes are paid in full. However, excess spread can be released if overcollateralization has reached its target level and if the funds are not required to cover payments according to the payment priority.

Payment Priority

On each payment date, the indenture trustee will apply collections from the reference pool and the amounts on deposit in the reserve account, if necessary, to make payments on the exchange note according to a specific payment priority (see table 9). The yield in item 2 in the exchange note payment waterfall below will equal the yield due to the asset-backed notes plus the senior fees and expenses related to those notes.

Table 9

Exchange note payment waterfall

Priority	Payment
1	The servicing fee (1% of the securitization value per year) and reimbursement of any outstanding advances to the servicer.
2	Interest due on the exchange note to the trust as the exchange noteholder.
3	The amount needed to cover shortfalls in payments on the asset-backed notes to the trust as the exchange noteholder.
4	The amount needed to reach the targeted reserve amount to the reserve account.
5	Principal on the exchange note (equal to the excess of the series 2024-A notes' principal balance over the securitization value minus the target overcollateralization amount) to the trust as the exchange noteholder.
6	If a failure to pay principal or interest owed on another exchange note has occurred, an amount to be applied as a shared amount regarding any other exchange note, other than the exchange note owned by the trust.
7	Any remaining amounts to be applied as the excess exchange note amount.

Payment priority for the asset-backed notes

On each payment date, the indenture trustee will apply all amounts received on the series 2024-A exchange note to make payments on the asset-backed notes according to a specific payment priority (see table 10). Once the targeted reserve amount is achieved, the excess spread will be

released to the residual interestholder to the extent it is not needed to cover losses.

Table 10

Asset-backed notes payment waterfall

Priority	Payment
1	All payments due and any trust expenses to the indenture trustee, owner trustee, Delaware trustee, and asset representations reviewer, capped at \$250,000 per year.
2	The administration fee (0.01% of the note balance per year) to the servicer.
3	The interest due to the class A noteholders.
4	First-priority principal payment, which is equal to any excess of the class A notes' aggregate principal amount over the securitization value, payable sequentially by class.
5	The interest due to the class B noteholders.
6	Second-priority principal payment, which is equal to any excess of the class A and B notes' aggregate principal amount over the securitization value, payable sequentially by class.
7	The interest due to the class C noteholders.
8	Third-priority principal payment, which is equal to the excess, if any, of the class A, B, and C notes' aggregate principal amount over the securitization value, payable sequentially by class.
9	The interest due to the class D noteholders.
10	An amount to the reserve account until the target reserved amount is reached.
11	Regular principal payment, which equals the excess of the class A, B, C, and D notes' aggregate principal amount over the securitization value minus the target overcollateralization amount minus any priority principal payments, payable sequentially by class.
12	Any amount due and unpaid to the indenture trustee, owner trustee, Delaware trustee, and asset representations reviewer that is not paid in item 1 above.
13	Any remaining amounts to the holder of the residual interest in the trust.

Cash Flow Modeling Assumptions And Results

We tested FCALT 2024-A's structure using cash flow scenarios to determine if the credit enhancement level was sufficient to pay timely interest and principal in full by the notes' legal final maturity dates under 'AAA' and 'AA' stressed scenarios.

Breakeven Analysis

We modeled the transaction on a lease-by-lease basis to simulate stress scenarios commensurate with the assigned preliminary ratings. The results show that the rated notes are enhanced to the degree necessary to withstand a level of stressed credit, residual, and waived payment losses that are consistent with the assigned preliminary ratings (see table 11).

Table 11

Cash flow assumptions and results

	Class A	Class B
Scenario (preliminary rating)	AAA	AA
Stressed CNL (%) ⁽ⁱ⁾	4.0	3.2
CNL timing (mos.)	12/24/36	12/24/36

Table 11

Cash flow assumptions and results (cont.)

	Class A	Class B
CNL (%)	40/80/100	40/80/100
Voluntary prepayments (%)	0.00	0.00
Recoveries (%)	50	50
Recovery lag (mos.)	4	4
Residual haircut		
Total residual haircut (% of the adjusted MSRP)(ii)	13.9	10.2
Total residual haircut (% of the securitization value)	20.4	15.2
Total residual haircut (% of the undiscounted base residual value)	27.6	21.2
Vehicle return rate (%)	100.0	95.0
Non-defaulting leases (%)	92.0	93.6
Residual realization lag (mos.)	2	2
Waived payment stress (% of the securitization value)	0.3	0.2
Result		
S&P Global Ratings' stressed credit, residual, and waived payment loss (% of the securitization value)	24.7	18.6
Approximate available credit enhancement (% of the securitization value)	25.0	21.7

(i) 5.0x and 4.0x our expected loss for the 'AAA' and 'AA' stressed scenarios, respectively. (ii) After adjustment for the vehicle return rate and nondefaulting lease rate. CNL--Cumulative net loss. MSRP--Manufacturer's suggested retail price.

The class A-2 notes will consist of two tranches: the class A-2a fixed-rate notes and the class A-2b floating-rate notes. Ford Credit intends to use the SOFR benchmark for the class A-2b notes, which may constitute up to 60% of the class A-2 notes. The class A-2b notes will be indexed to SOFR plus a spread, and the coupons will initially be based on compounded SOFR (a 30-day average SOFR calculated in advance by the calculation agent using the published rate on the Federal Reserve Bank of New York's website).

In addition, provisions have been incorporated into securitization documents that govern rate selection if SOFR becomes unavailable.

For the floating-rate tranche, we applied our stressed interest rates for one-month SOFR as described in our criteria "Methodology To Derive Stressed Interest Rates In Structured Finance," published Oct. 18, 2019, and corresponding guidance.

Sensitivity Analysis

In addition to running stressed cash flows to analyze the amount of losses the FCALT 2024-A transaction can withstand, we ran a sensitivity analysis to determine how a moderate ('BBB') stress scenario, all else being equal, could affect the ratings on the notes. In our view, the assigned preliminary 'AAA (sf)' and 'AA (sf)' ratings are consistent with the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023. This indicates that we would not assign 'AAA' or 'AA' ratings if, under moderate stress conditions, the ratings would be lowered by more than one category within the first year.

Table 12

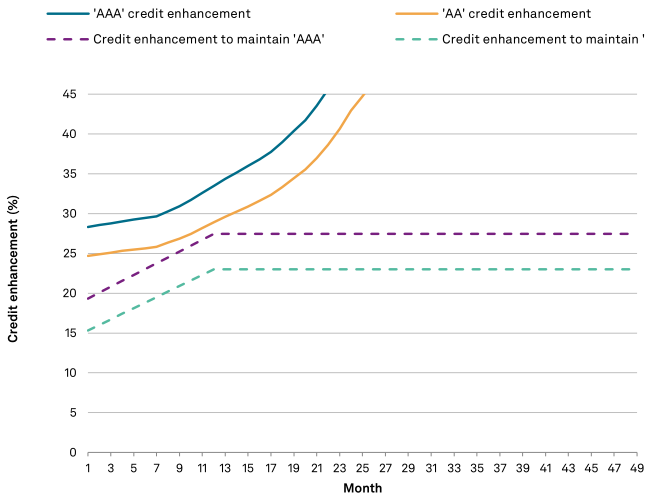
Credit stability as a limiting factor on ratings(i)

Maximum projected deterioration associated with rating levels for one- and three-year horizons under moderate stress conditions					
Horizon	AAA	AA	A	BBB	BB
One year	AA	A	BB	B	CCC
Three years	BBB	BB	B	CCC	D

(i)These credit quality transitions do not reflect our view of the expected degree of deterioration that rated issuers or obligations could experience over the specified time horizons. Nor do they reflect the typical historical levels of deterioration among rated issuers and securities.

Chart 6

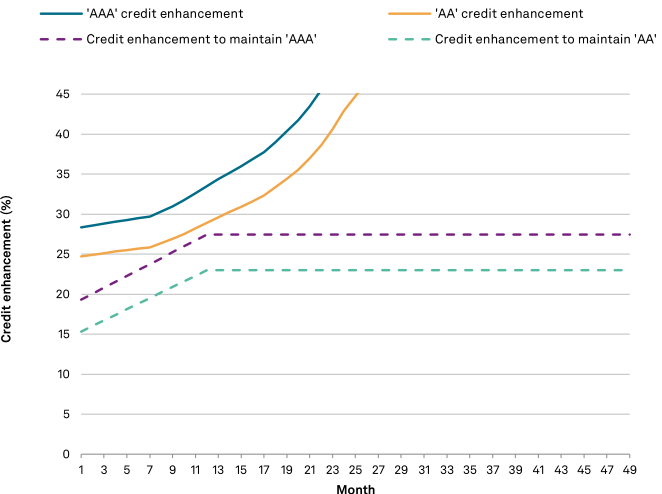
Sensitivity analysis



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Chart 7

Sensitivity analysis (if upsized)



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Money Market Tranche Sizing

The proposed class A-1 money market tranche has a 13-month legal final maturity date of Feb. 15, 2025. To test whether the money market tranche can be repaid by month 13, we ran cash flows using assumptions to delay the principal collections during the 13-month period. In our cash flow run, we assumed zero defaults and a zero absolute prepayment speed on all leases. We applied a haircut to the base residual value in line with our 'AAA' scenario. We also lagged the recognition of the monthly lease payments by one month and the base residual value amounts by two months. Based on our cash flow runs, approximately eight months of collections would be sufficient to pay off the money market tranche.

Legal Final Maturity

To test the legal final maturity dates set for the longer-dated tranches (i.e., classes A-2a, A-2b, A-3, A-4, and B), we determined the date on which the respective notes were fully amortized in a

zero-loss, zero-prepayment scenario and then added six months to the result. In all of our cash flow scenarios, we confirmed there is sufficient credit enhancement to cover losses and repay the related notes in full by their legal final maturity dates.

Counterparty And Operational Risks

On or before the closing date, the series bank accounts will be established in the name of the account bank, U.S. Bank N.A. (A+/Stable/A-1). The bank account provider is consistent with our counterparty criteria for a 'AAA'-supported transaction (see "Counterparty Risk Framework: Methodology And Assumptions," published March 8, 2019).

As servicer, Ford Credit has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices. Ford Credit satisfies our requirements for commingling risk by requiring that all collections are deposited into the series' collections accounts within two business days of collection. Our operational risk assessment of Ford Credit as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

Ford Credit

Ford Credit, one of the largest auto finance companies in the U.S., was established in 1959 to provide financing for Ford and Lincoln vehicles and support Ford and Lincoln dealers. Headquartered in Dearborn, Mich., Ford Credit is a Delaware limited liability company and a wholly owned captive finance subsidiary of Ford Motor Co. Ford Credit offers a wide variety of automotive financing products, including retail installment sale contracts and leases, business loans, and lines of credit to dealerships that sell Ford Motor Co. products.

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014

Presale: Ford Credit Auto Lease Trust 2024-A

- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria | Structured Finance | ABS: Assessing The Risk Of Pension Plan Terminations On U.S. Auto Lease Securitizations, Aug. 17, 2004

Related Research

- Eight Ratings Raised On Three Ford Credit Auto Lease Trust Transactions, Dec. 21, 2023
- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- Ford Motor Co. And Subsidiary Upgraded To 'BBB-' On Improving Margins And Financial Flexibility; Outlook Stable, Oct. 30, 2023

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