S&P Global
Ratings

Research

Presale:

Ford Credit Auto Lease Trust 2022-A

April 18, 2022

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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	149.00	186.00	May 15, 2023
A-2a/A-2b	AAA (sf)	Senior	Fixed/floating (i)	387.00	484.00	Oct. 15, 2024
A-3	AAA (sf)	Senior	Fixed	387.00	484.00	May 15, 2025
A-4	AAA (sf)	Senior	Fixed	77.04	96.05	July 15, 2025
B	AA+ (sf)	Subordinate	Fixed	69.44	86.80	Aug. 15, 2025
C	A+ (sf)	Subordinate	Fixed	85.66	107.08	Oct. 15, 2025
D	BBB (sf)	Subordinate	Fixed	51.92	64.90	Dec. 15, 2026

Note: This presale report is based on information as of April 18, 2022. 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 50% of the aggregate principal balance of the class A-2 notes. The class A-2b interest rate will be a floating rate indexed to 30-day average SOFR plus a margin (to be determined). SOFR--Secured Overnight Financing Rate.

Profile

Expected closing date	April 26, 2022.
Collateral	Prime auto lease receivables.
Titling companies	CAB East LLC and CAB West LLC.
Servicer, sponsor, and administrator	Ford Motor Credit Co. LLC (BB+/Positive/B).
Depositor	Ford Credit Auto Lease Two LLC.
Issuer	Ford Credit Auto Lease Trust 2022-A.
Collateral agent	HTD Leasing LLC.
Administrative agent and bank account provider	U.S. Bank N.A.
Indenture trustee	U.S. Bank Trust Co. N.A.
Owner trustee	The Bank of New York Mellon.
Delaware trustee	BNY Mellon Trust of Delaware.

Profile (cont.)

Lead underwriter	Barclays Capital Inc.

Credit Enhancement Summary(i)

	FCALT 2022-A			FCALT 2022-A (if upsized)			FCALT 2021-B			FCALT 2021-A(ii)		
	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor	Initial	Target	Floor
Class A credit enhancement												
Subordination (%)	15.95	15.95	15.95	15.95	15.95	15.95	9.45	9.45	9.45	9.45	9.45	9.45
Overcollateralization (%)	7.00	9.50	9.50	7.00	9.50	9.50	13.50	16.00	16.00	13.50	16.00	16.00
Reserve account (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	23.45	25.95	25.95	23.45	25.95	25.95	23.20	25.70	25.70	23.20	25.70	25.70
Class B credit enhancement												
Subordination (%)	10.60	10.60	10.60	10.60	10.60	10.60	4.10	4.10	4.10	4.10	4.10	4.10
Overcollateralization (%)	7.00	9.50	9.50	7.00	9.50	9.50	13.50	16.00	16.00	13.50	16.00	16.00
Reserve account (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	18.10	20.60	20.60	18.10	20.60	20.60	17.85	20.35	20.35	17.85	20.35	20.35
Class C credit enhancement												
Subordination (%)	4.00	4.00	4.00	4.00	4.00	4.00	--	--	--	--	--	--
Overcollateralization (%)	7.00	9.50	9.50	7.00	9.50	9.50	13.50	16.00	16.00	13.50	16.00	16.00
Reserve account (%)	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.25	0.25	0.25	0.25
Total (%)	11.50	14.00	14.00	11.50	14.00	14.00	13.75	16.25	16.25	13.75	16.25	16.25
Class D credit enhancement												
Overcollateralization (%)	7.00	9.50	9.50	7.00	9.50	9.50	N/A	N/A	N/A	N/A	N/A	N/A
Reserve account (%)	0.50	0.50	0.50	0.50	0.50	0.50	N/A	N/A	N/A	N/A	N/A	N/A
Total (%)	7.50	10.00	10.00	7.50	10.00	10.00						
Estimated excess spread per year (%)(iii)	4.48	--	--	4.48	--	--	4.29	--	--	N/A	--	--
Discount rate (%)	8.90	--	--	8.90	--	--	6.00	--	--	6.10	--	--
Initial aggregate securitization value ($)	1,297,915,203	--	--	1,622,399,421	--	--	1,622,326,753	--	--	1,622,389,286	--	--
Total securities issued ($)	1,207,060,000	--	--	1,508,830,000	--	--	1,403,310,000	--	--	1,403,360,000	--	--

(i)All percentages are based on the initial aggregate securitization value. (ii)Not rated by S&P Global Ratings. (iii)Estimated excess spread per year before pricing. FCALT--Ford Credit Auto Lease Trust. N/A--Not applicable.

Rationale

The preliminary ratings assigned to Ford Credit Auto Lease Trust 2022-A's (FCALT 2022-A) asset-backed notes series 2022-A reflect our view of:

- The availability of approximately 30.1%, 24.6%, 17.7%, and 13.3% credit enhancement for the class A, B, C, and D notes, respectively, (applicable for both the base and upsized structures) in the form of 15.95%, 10.60%, and 4.00% subordination for the class A, B, and C notes; 7.00% overcollateralization, which will build to a target of 9.50% of the initial securitization value; a 0.50% 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, B, C, and D notes are consistent with the credit stability limits specified by section A.4 of the Appendix contained in S&P Global Ratings Definitions (see "S&P Global Ratings Definitions," published Nov. 10, 2021);
- 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 that are consistent with the assigned preliminary ratings.
- The credit quality of the underlying collateral, which consists of prime auto lease receivables that have a weighted average FICO score of 760.
- 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.
- Ford Motor Credit Co. LLC's (Ford Credit) extensive securitization performance history since 1989.
- The transaction's payment and legal structures.

Our expected base-case credit loss for the series 2022-A pool is 0.80% of the securitization value, unchanged from the series 2021-B, the last FCALT transaction rated by S&P Global Ratings. Our expected cumulative net loss reflects the credit performance of Ford Credit auto lease securitizations, our static pool loss projections for Ford Credit's lease originations, the series 2022-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', 'AA+', 'A+', and 'BBB' residual stress levels for the series 2022-A pool are approximately 32.2%, 28.6%, 22.0%, and 16.1%, respectively, of the pool's aggregate undiscounted base residual value. After applying these stresses to the residual value portion of the pool (75.6%) and the portion of nondefaulting leases ('AAA' [92.0%], 'AA+' [92.8%], 'A+' [94.7%], and 'BBB' [96.8%]), our 'AAA', 'AA+', 'A+', and 'BBB', residual stress levels constituted approximately 22.4%, 19.5%, 14.4%, and 10.0%, respectively, of the securitization value.

Overall, our aggregate 'AAA', 'AA+', 'A+', and 'BBB' loss levels are 26.7%, 23.4%, 17.3%, and 11.7%, 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 section below) provides adequate support for our assigned preliminary ratings.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considers a transaction's potential exposure to 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.

Changes From The Series 2021-B Transaction

The structural and collateral composition changes from the series 2021-B transaction, the last FCALT transaction rated by S&P Global Ratings, include the following:

- The inclusion of the class D notes, which provide additional subordination for the class A, B, and C notes.
- The discount rate increased to 8.90% from 6.00%.
- The residual exposure is slightly higher for series 2022-A. The undiscounted base residual as a percentage of the securitization value is 75.56% (75.60% if upsized), a slight increase from 72.81%.
- The percentage of leases with an original term less than or equal to 24 months decreased to 3.85% (3.77% if upsized) from 3.92%.
- The percentage of leases with an original term between 40-48 months increased to 3.64% (3.65% if upsized) from 2.05%.

In our view, the series 2022-A pool's collateral characteristics are generally comparable to series 2021-B (see the Pool Analysis section below for more information).

Transaction Overview

FCALT 2022-A is Ford Credit's 22nd public auto lease transaction since 2011. The transaction structure incorporates an initial reserve amount of 0.50% of the initial securitization value; an overcollateralization amount of 7.00% that builds to a target of 9.50% of the initial securitization value; subordination of 15.95%, 10.60%, and 4.00% for the class A, B, and C notes, respectively; and estimated excess spread of approximately 4.48% per year. The transaction 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.

Legal Structure

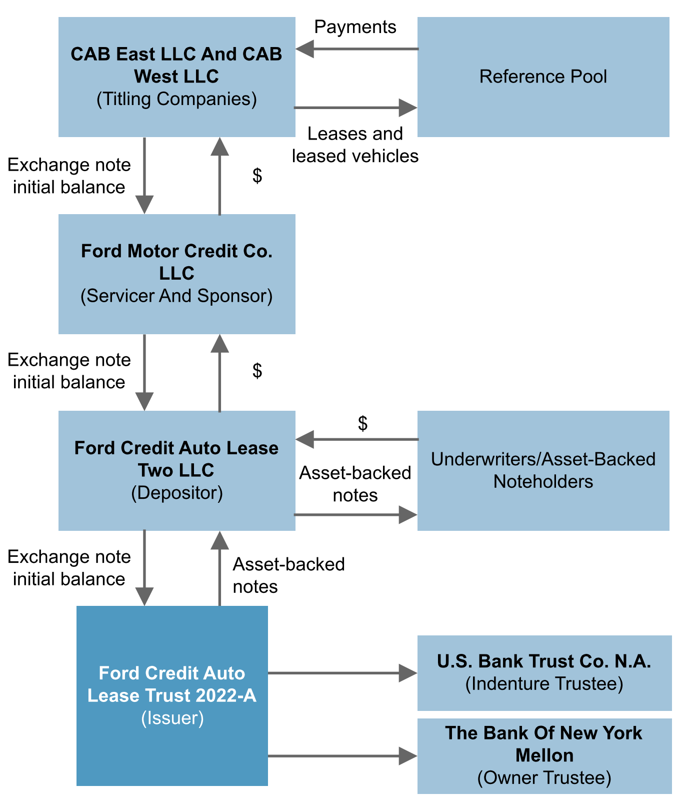
Ford Credit's titling companies (CAB East LLC and CAB West LLC) purchase newly originated leases and the related leased vehicles from Ford and Lincoln dealers. The leased vehicles are titled in the respective titling company's name, and the collateral agent is named as the secured party on the title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

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 $1,297,915,203 ($1,622,399,421 if upsized), and the exchange note will have an initial balance of $1,244,391,753 ($1,555,494,845 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 2022-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 2022-A, a newly formed Delaware statutory trust, in a second true sale (see chart 1). 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 1

Transaction Structure



Pension Benefit Guaranty Corp. (PBGC) Risk

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 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.

Payment Structure

Payment priority for the exchange note

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 1). 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 1

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 2022-A notes' principal balance over the securitization value minus the target overcollateralization amount) to the trust as the exchange noteholder.
6	An amount to be applied as a shared amount regarding any other exchange note, other than the exchange note owned by the trust, if there has been a failure to pay principal or interest owed on another exchange note.
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 2022-A exchange note to make payments on the asset-backed notes according to a specific payment priority (see table 2). Once the targeted reserve amount is achieved, the excess spread will be released to the residual interest holder to the extent it is not needed to cover losses.

Table 2

Asset-Backed Notes Payment Waterfall

Priority	Payment
1	All payments due and any trust expenses, capped at $250,000 per year, to the indenture trustee, owner trustee, Delaware trustee, and asset representations reviewer.
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, 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, 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, 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.

Managed Portfolio Performance

In 2021, Ford Credit's total serviced lease portfolio had the following characteristics:

- The portfolio consisted (on average) of 799,725 contracts totaling $24.20 billion (see table 3).
- Total delinquencies declined slightly as a percentage of the average number of leases outstanding to 0.62%, compared with 0.71% in 2020.
- The portfolio had a net credit gain of 0.03% as a percentage of the average portfolio outstanding, compared to a net credit loss of 0.15% in 2020.
- The portfolio reported a residual gain on returned vehicles equaled to 47.77% of the vehicles' ALG-forecast base residual value, compared with 14.13% in 2020.
- Vehicle return rates, which had been relatively steady since 2015, declined in 2021 due to historically high used vehicle prices.

Table 3

Managed Portfolio

	Year ended Dec. 31					
	2021	2020	2019	2018	2017	2016
Avg. no. of leases outstanding	799,725	934,812	1,002,301	1,018,021	1,005,542	974,580
Avg. portfolio outstanding during the period (mil. $)	24,199	26,915	27,885	27,451	26,586	25,506
Avg. delinquencies as a % of the average number of leases outstanding	0.62	0.71	0.78	0.82	0.87	0.86
Repossessions as a % of the avg. no. of leases outstanding	0.39	0.50	0.62	0.69	0.79	0.72
Net losses/(gains) as a % of the avg. portfolio outstanding	(0.03)	0.15	0.29	0.31	0.38	0.33
Return rate (%)	32.06	67.12	75.19	74.64	76.79	74.94
Total gain/(loss) on ALG base residuals on vehicles returned to Ford Credit as a % of the ALG's base residual value of returned vehicles sold by Ford Credit	47.77	14.13	3.95	4.87	1.37	(0.08)

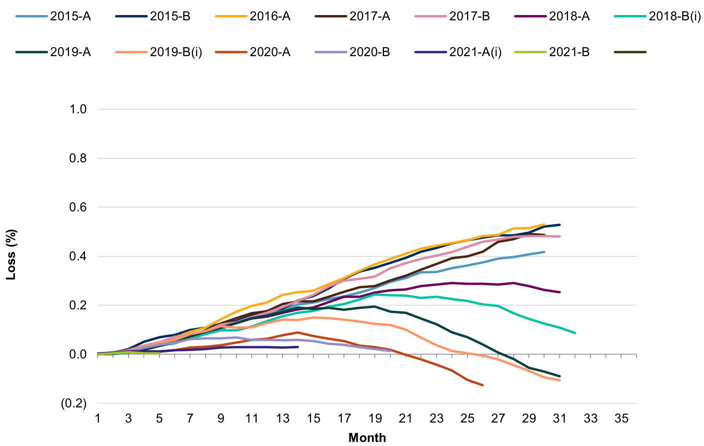
ALG--Automotive Lease Guide.

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 2019 ranged from 0.09% to 0.53% (see chart 2). Current cumulative net loss performances on the outstanding transactions are below 0.05%. In addition, Ford Credit has realized residual value gains on its securitizations since 2015 (see chart 3).

Chart 2

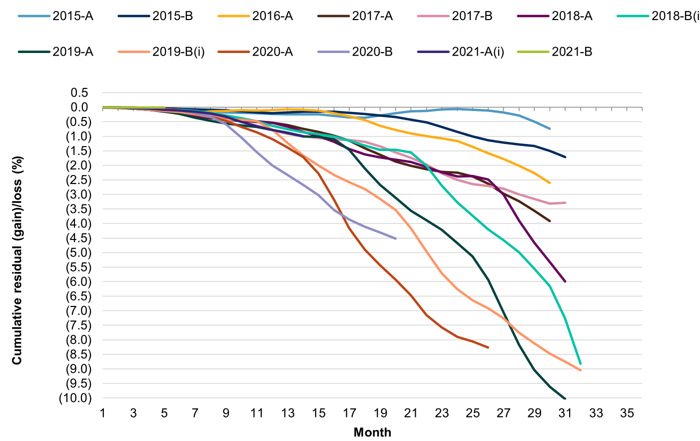
FCALT Cumulative Net Losses (2015-2022)(i)



(i)As percentage of initial securitization value. (ii)Not rated by S&P Global Ratings. FCALT--Ford Credit Lease Auto Trust.

Chart 3

FCALT Cumulative Residual Value (Gain)/Loss On Vehicles Returned And Sold (2015-2022)(i)



(i)As percentage of initial base residual value. (ii)Not rated by S&P Global Ratings. FCALT--Ford Credit Lease Auto Trust.

We currently maintain ratings on three FCALT transactions: series 2020-A, 2020-B, and 2021-B (see table 4). On April 6, 2020, we affirmed our ratings on the series 2020-A class A-1 and A-2 notes (the two senior-most tranches) and placed our ratings for classes A-3, A-4, and B on CreditWatch with negative implications (see "Eleven Ratings Affirmed, Three Ratings Placed On CreditWatch Negative From Four Ford Credit Auto Lease Trust Deals," published April 6, 2020).

On July 9, 2020, we affirmed our ratings on the series 2020-A class A-3 and A-4 notes, lowered our rating on the class B notes, and removed all three ratings from CreditWatch negative following a downgrade of Ford Motor Co. on March 25, 2020 (see "Two Ratings On Ford Credit Auto Lease Trust 2020-A Affirmed, One Lowered; Removed From CreditWatch Negative," published July 9, 2020).

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

Table 4

Performance Data For Outstanding FCALT Transactions As Of The March 2022 Distribution Date(i)

Series	Month	Pool factor (%)	Current cumulative net credit loss (gain) (%)(ii)	Original lifetime CNL exp. (%)	Current cumulative residual loss (gain) (%)(iii)
2020-A	26	27.11	(0.13)	0.80	(8.27)
2020-B	20	46.63	0.01	0.80	(4.52)
2021-B	6	88.66	0.00	0.80	(0.01)

(i)Transactions rated by S&P Global Ratings. (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. CNL--Cumulative net loss expectation.

Pool Analysis

The FCALT 2022-A securitized pool consists of 42,527 (53,158 if upsized) prime auto lease receivables with a weighted average FICO score of 760 (see table 5). Most of the pool consists of leases with 36- to 39-month original terms. The top five vehicle models represent approximately 66% of the initial base residual value.

Table 5

Original Pool Characteristics

	FCALT					
	2022-A	2022-A (if upsized)	2021-B	2021-A(i)	2020-B	2020-A
No. of leases	42,527	53,158	53,191	57,143	60,158	50,436
Initial total securitization value ($)	1,297,915,203	1,622,399,421	1,622,326,753	1,622,389,286	1,606,686,019	1,248,469,217
Avg. securitization value ($)	30,520	30,520	30,500	28,392	26,708	24,754
Top five vehicles by model (%)(ii)						
Explorer	24.63	24.69	23.28	20.59	19.62	17.42
F-150	17.05	17.09	21.11	21.09	21.37	24.65
Escape	9.24	9.19	10.06	11.86	12.53	14.57
Edge	8.62	8.65	7.98	8.88	8.69	9.31
Expedition(iii)	6.57	6.66	5.12	5.46	6.06	6.24
Base residual value ($)	980,726,957	1,226,466,188	1,181,241,026	1,184,338,837	1,177,217,246	930,856,205
Avg. base residual value ($)	23,061	23,072	22,208	20,726	19,569	18,456
Weighted avg. original term (mos.)	36.4	36.4	36.2	36.0	36.1	35.9
Weighted avg. remaining term (mos.)	24.3	24.3	24.5	24.1	23.7	23.5
Weighted avg. seasoning (mos.)	12.2	12.2	11.7	11.9	12.4	12.4
Original term (mos.)						
Up to 24	3.85	3.77	3.92	5.29	4.78	5.05
36	77.55	77.60	78.45	78.07	74.03	78.25
39	14.96	14.97	15.58	15.65	21.12	16.63
48	3.64	3.65	2.05	0.99	0.06	0.06
Weighted avg. FICO score	760	760	759	758	755	754
Base residual as a % of the initial aggregate securitization value	75.56	75.60	72.81	73.00	73.27	74.56

Table 5

Original Pool Characteristics (cont.)

	FCALT					
	2022-A	2022-A (if upsized)	2021-B	2021-A(i)	2020-B	2020-A
Base residual as a % of the adjusted MSRP	48.80	48.83	48.13	46.59	45.41	44.88
Top five state concentrations (%)						
	NY=17.15	NY=17.12	MI=20.75	MI=22.86	MI=19.68	MI=21.08
	MI=16.58	MI=16.51	NY=15.43	NY=15.80	NY=14.33	NY=14.40
	NJ=9.48	NJ=9.50	CA=9.65	NJ=9.02	CA=9.87	CA=9.55
	CA=9.11	CA=9.11	NJ=8.72	OH=7.65	NJ=8.16	NJ=8.22
	OH=7.51	OH=7.41	OH=7.17	PA=6.12	OH=7.57	OH=7.27

(i)Not rated by S&P Global Ratings. (ii)As a percentage of the initial aggregate base residual value. (iii)Fusion for series 2020-A, 2020-B, and 2021-A. FCALT--Ford Credit Auto Lease Trust. MSRP--Manufacturer's suggested retail price.

Residual Value

The FCALT 2022-A pool's initial aggregate securitization value is $1,297,915,203 ($1,622,399,421 if upsized), which is the present value of each lease's remaining monthly lease payment plus the related leased vehicle's base residual value (both discounted at the higher of 8.90% and the contract annual percentage rate). Each leased vehicle's base residual value will equal the lower of:

- The stated residual value set by Ford Credit at the lease's inception, and
- The residual value estimate established by ALG for the leased vehicle at lease origination.

The stated residual value is the vehicle's assigned residual value at the lease's inception (according to the lease contract), which then determines the monthly lease payments. The stated residual value is typically set higher than ALG's residual value to reduce the dollar amount of lease payments that the lessee owes under the lease contract. The base residual value provides a more conservative estimate of the vehicle's future value and mitigates the noteholders' exposure to losses associated with stated residual values that are set higher than the expected residual values (a process called lease subvention). The base residual value is $980,726,957 ($1,226,466,188 if upsized), or 75.56% (75.60% if upsized) of the series 2022-A pool's securitization value. A recent ALG mark-to-market valuation provided by Ford Credit indicates a residual value forecast of 9.15% (or 9.12% if upsized) higher than the base residual. In our residual value risk analysis, we account for ALG's recent mark-to-market valuation by reducing the base residual for negative drift, if necessary (see S&P Global Ratings' Expected Loss section below for more information).

Collateral Residual Timing

The leases in the FCALT 2022-A pool are scheduled to mature as shown in table 6.

Table 6

FCALT 2022-A Lease Maturity Profile By Year(i)

Year	Base pool (%)	Upsized pool (%)
2022	0.37	0.37
2023	34.65	34.44
2024	56.61	56.88
2025	8.29	8.23
2026	0.08	0.08

(i)Percentage of the aggregate undiscounted base residual value. FCALT--Ford Credit Auto Lease Trust.

FCALT 2022-A is diversified in terms of monthly residual maturities. In general, leases will mature monthly beginning in September 2022 (see chart 4). Residual maturities will exceed 5.0% in April 2024 and from September through December 2024. The highest monthly maturity is 5.94% (5.92% if upsized), which will occur in September 2024. The highest percentage of base residual maturities in any three-month period is 16.55% (16.49% if upsized), which will occur in November 2024. Approximately 67% of the lease residuals will mature before mid-year 2024.

Chart 4

Lease Maturity Profile

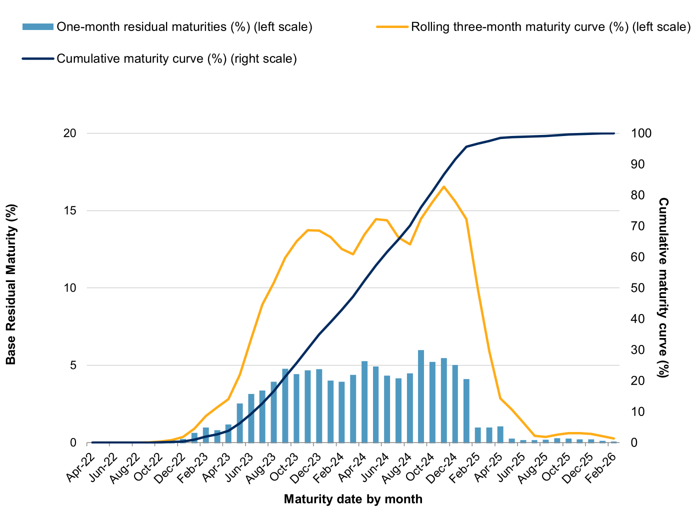
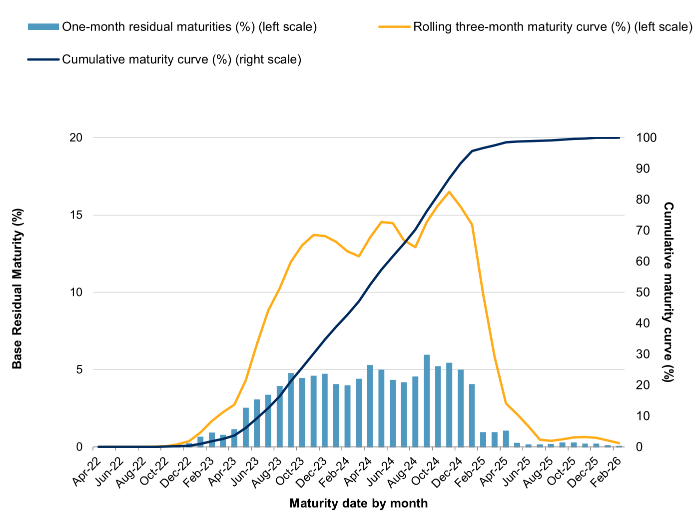


Chart 5

Lease Maturity Profile (If Upsized)



S&P Global Ratings' Expected Loss

In our view, the FCALT 2022-A transaction has three principal risk components: credit, residual, and waived payment risk.

Credit risk

The obligor's credit profile determines the credit risk. To derive the base-case credit loss for the FCALT 2022-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 2022-A pool. We also considered the consistent and stable loss performance of Ford Credit's auto lease securitizations, peer performance, the series 2022-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 2022-A pool's cumulative net credit loss to be 0.80% of the pool's securitization value.

Residual risk

The transaction's residual risk is partially mitigated because the securitized residual value equals the lower of the lease contract residual value and the ALG residual value at origination. Securitizing the lower of these two values mitigates the risk associated with contract residual values that are set higher than the expected residual values to keep the monthly lease payments affordable to the lessee. We did not reduce the base residual value further regarding ALG's recent mark-to-market valuation because it indicated residual value forecasts that were approximately 9.2% higher (9.1% if upsized) than the base residual.

In analyzing the FCALT 2022-A pool's residual risk, we considered the following factors:

- The diversity of the pool's vehicle makes and models;
- The stability of historical used vehicle values on the top vehicle makes and models;
- The top 10 vehicle models, which account for approximately 90% of the pool's total base residual;
- ALG's historical and current forecasts compared with the historical actual vehicle retention values, based on the data that Ford Credit provided;
- The basis for the differences between the actual used vehicle values and ALG's forecasts;
- The basis for ALG's current forecast;
- The lease maturity profile of the pool;
- Brand perception;
- The consistency of the manufacturer's suggested retail price valuation; and
- Our macroeconomic outlook.

Base haircut

We first applied initial rating-specific haircuts of 26.0%, 23.0%, 17.7%, and 13.0% to the FCALT 2022-A pool's base residual value, commensurate with 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively, as outlined in our auto lease criteria. We did not reduce the base residual value further regarding ALG's recent mark-to-market valuation because it indicated residual value forecasts that were approximately 9.2% higher (9.1% if upsized) than the base residual.

Excess concentration haircut

In addition to the base residual 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%, 11.5%, 8.8%, and 6.5% commensurate with 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively.

The FCALT 2022-A pool has a total excess concentration of 6.29% (6.32% if upsized), comprising monthly residual maturities in excess of our benchmark and individual model excess concentrations for the Explorer (see table 7).

Note that series 2022-A is the first FCALT transaction rated since S&P Global Ratings published its new auto ABS criteria (see "Global Auto ABS Methodology and Assumptions," published March 31, 2022). The modification of the benchmark pool in the new auto ABS criteria is the primary reason why excess concentrations declined for the FCALT 2022-A transaction relative to the FCALT 2021-B transaction, where excess concentrations were approximately 42.1%.

Table 7

Benchmark Pool Excess Concentrations (%)(i)

	FCALT 2022-A	FCALT 2022-A (if upsized)	Benchmark pool concentration limit	Excess concentration	Excess concentration (if upsized)
One-month maturity exceeding the benchmark					
April 2024	5.22	5.26	5.00	0.22	0.91
September 2024	5.79	5.77	5.00	0.79	1.13
October 2024	5.32	5.30	5.00	0.32	0.11
November 2024	5.25	5.24	5.00	0.25	0.88
December 2024	5.08	5.07	5.00	0.08	1.23
Individual model					
Explorer	24.63	24.69	20.00	4.63	4.69
Large/full-size ICE vehicles	27.66	27.73	40.00	--	--
Small/compact ICE cars	1.17	1.16	30.00	--	--
New models	8.86	8.85	10.00	--	--
Discontinued models	4.56	4.51	10.00	--	--
Plug-in hybrid/battery electric vehicles	1.27	1.22	10.00	--	--
Total excess concentration	--	--	--	6.29	6.32

(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 at each rating category, resulting in additional haircuts to the base residual of approximately 0.8%, 0.7%, 0.6%, and 0.4% under our 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively.

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). Our new auto ABS criteria allows for the interpolation of the speculative-grade manufacturer haircut.

Ford Motor Co. is the manufacturer of the leased vehicles backing the series 2022-A pool. The company is rated BB+/Positive/B. As a result, we applied a speculative-grade manufacturer haircut to the base residual of 5.33%, 4.83%, 3.87%, and 2.67%, under our 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively.

Low diversification haircut

For pools with low diversification, as described in our auto lease criteria, we will apply a low diversification haircut factor of 1.25x in addition to the aforementioned haircuts. Our auto lease criteria describe the six conditions for which we would apply this type of haircut--if they were met by the securitized lease pool. These conditions are:

- More than 20% of the residuals mature in any one month;
- More than 50% of the residuals 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 series 2022-A pool does not meet any of these seven conditions. Therefore, we did not apply the low diversification haircut.

Stressed residual loss

After analyzing the series 2022-A lease pool, applying the relevant residual value haircuts, and assessing stressed return rates of 100.0%, 97.5%, 91.7%, and 85.0% at the 'AAA', 'AA+', 'A+', and 'BBB' rating levels, we determined that our stressed residual loss is approximately 22.4%, 19.5%, 14.4%, and 10.0% under our 'AAA', 'AA+', 'A+', and 'BBB' scenarios, respectively, as a percentage of the initial securitization value (see table 8).

Table 8

Stressed Residual Loss

	Rating scenarios (preliminary)			
	AAA	AA+	A+	BBB
Residual haircut as a % of undiscounted base residual	26.0	23.0	17.7	13.0
Additional excess concentration haircut (%)(i)	0.8	0.7	0.6	0.4
ALG residual drift (%)	--	--	--	--
Speculative-grade manufacturer haircut (%)	5.3	4.8	3.8	2.7
Total residual haircut as a % of base residual value	32.2	28.6	22.0	16.1

Table 8

Stressed Residual Loss (cont.)

	Rating scenarios (preliminary)			
	AAA	AA+	A+	BBB
Total residual haircut as a % of securitization value	22.4	19.5	14.4	10.0

(i)The excess concentration haircuts are derived by multiplying the total excess concentration calculated in table 7 by 13.0%, 11.5%, 8.8%, and 6.50% for the 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively. ALG--Automotive Lease Guide.

Waived payment risk

Waived payment risk, the third risk in this transaction, occurs 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. The dealer then reimburses the trust for the waived payments, and Ford Credit then reimburses the dealer.

If Ford Credit enters bankruptcy, we believe a certain percentage of the dealer base may also enter bankruptcy and could continue to waive lease payments to generate additional vehicle sales. These waived payments are a loss to the trust if they are not reimbursed by the dealer who waived the payments. To that end, we incorporated a waived payment risk into our cash flow analysis. 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 0.36%, 0.32%, 0.24%, and 0.14% under our 'AAA', 'AA+', 'A+', and 'BBB' rating scenarios, respectively.

Cash Flow Modeling

We also tested FCALT 2022-A's proposed 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', 'AA+', 'A+', and 'BBB' stressed scenarios (see table 9).

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 preliminary 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.

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 Secured Overnight Financing Rate (SOFR) interest rate benchmark for the class A-2b notes, which may constitute up to 50% 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). The spread added to SOFR is the total credit risk of the transaction, and it does not contain a layer of bank credit risk as LIBOR does because SOFR is essentially a risk-free rate. The guidelines for using SOFR are broadly consistent with The Alternative Reference Rates Committee's March 2021 "Options for Using SOFR in New ABS, MBS, CMBS Products" report.

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.

Table 9

Cash Flow Assumptions And Results

	Class A	Class B	Class C	Class D
Scenario (preliminary rating)	AAA	AA+	A+	BBB
Cumulative net loss (%)(i)	4.0	3.6	2.7	1.6
Cumulative net loss timing (mos.)	12/24/36	12/24/36	12/24/36	12/24/36
Cumulative net loss (%)	40/80/100	40/80/100	40/80/100	40/80/100
Voluntary prepayments (%)	0.00	0.00	0.00	0.00
Recoveries (%)	50	50	50	50
Recovery lag (mos.)	4	4	4	4
Residual haircut				
Total residual haircut as a % of the adjusted MSRP(ii)	15.7	14.0	10.7	8.6
Total residual haircut as a % of the securitization value	22.4	19.5	14.4	10.0
Total residual haircut as a % of the undiscounted base residual value	32.2	28.6	22.0	16.1
Vehicle return rate (%)	100.0	97.5	91.7	85.0
Non-defaulting leases (%)	92.0	92.8	94.7	96.8
Residual realization lag (mos.)	2	2	2	2
Waived payment stress as a % of the securitization value (%)	0.4	0.3	0.2	0.1
Result				
S&P Global Ratings' stressed credit, residual, and waived payment loss as a % of the securitization value	26.7	23.5	17.3	11.7
Approximate credit enhancement as a % of the securitization value	30.1	24.6	17.7	13.3

(i)5.0x, 4.5x, 3.3x, and 2.0x our expected loss for the 'AAA', 'AA+', 'A+', and 'BBB' stressed scenarios, respectively. (ii)After adjustment for the vehicle return rate and nondefaulting lease rate. MSRP--Manufacturer's suggested retail price.

Sensitivity Analysis

In addition to running stressed cash flows to analyze the amount of losses the FCALT 2022-A transaction can withstand, we ran a sensitivity analysis to determine how a moderate stress ('BBB') scenario, all else being equal, could affect the ratings on the notes. In our view, the assigned preliminary 'AAA (sf)', 'AA+ (sf)', 'A+ (sf), and 'BBB (sf)' ratings are consistent with the credit stability limits specified by section A.4 of the Appendix contained in "S&P Global Ratings Definitions," published Nov. 10, 2021. 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. For our 'A+ (sf)' and 'BBB (sf)' ratings, this indicates that we would not assign these ratings if, under a moderate stress condition, the rating would be lowered by more than two categories within the first year.

Chart 6

Sensitivity Analysis

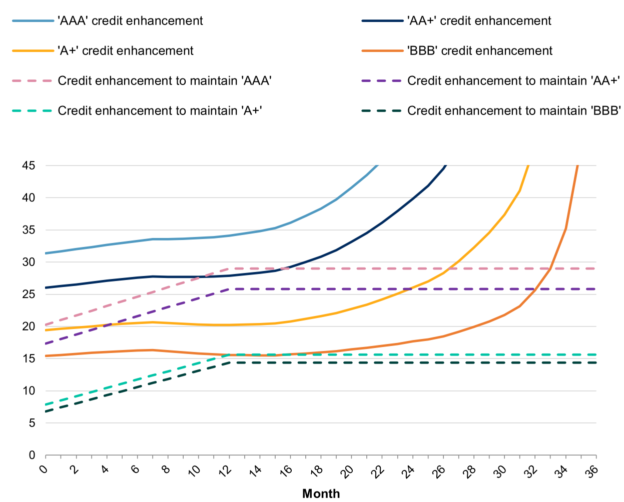
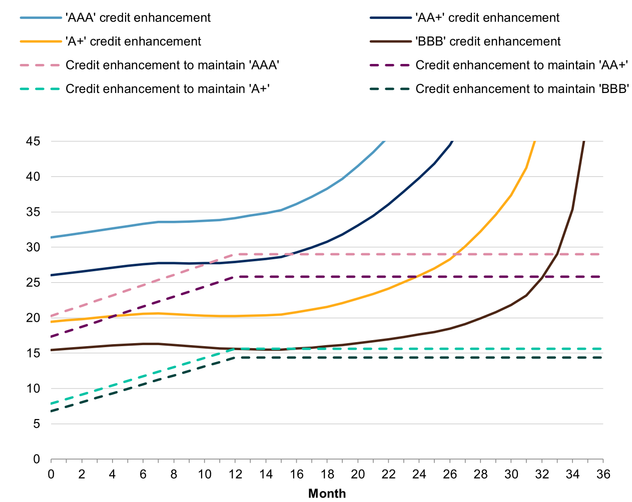


Chart 7

Sensitivity Analysis (If Upsized)



Money Market Tranche Sizing

The proposed class A-1 money market tranche has a 13-month legal final maturity date of May 15, 2023. 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 in line with our 'AAA' scenario. We also lagged the recognition of the monthly lease payments by one month and the base residual 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-2, A-3, A-4, B, and C), 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. For the longest-dated security, class D, we added approximately nine months to the tenor of the latest-maturing receivable in the pool to accommodate extensions and residual realization on the receivables. 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.

Ford Credit

Ford Credit, one of the largest auto finance companies in the U.S., was established in 1959 to provide financing for Ford vehicles and support Ford dealers. Ford Credit, headquartered in Dearborn, Mich., 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
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- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
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- 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

- Credit Conditions North America Q2 2022: Hazard Ahead: Risk Intersection, March 29, 2022
- Economic Outlook U.S. Q2 2022: Spring Chills, March 29, 2022
- Bulletin: Ford Motor Co.'s Path To An Investment-Grade Rating Could Extend To Early 2023 With Gradual Recovery In Cash Flow, Feb. 7, 2022
- Ford Motor Co. And Subsidiary Ratings Affirmed; Outlook Revised To Positive On Improved Cash Flow Prospects In 2022-2023, Nov. 18, 2021
- Ford Motor Co., March 23, 2021
- Two Ratings On Ford Credit Auto Lease Trust 2020-A Affirmed, One Lowered; Removed From CreditWatch Negative, July 9, 2020

- Eleven Ratings Affirmed, Three Ratings Placed On CreditWatch Negative From Four Ford Credit Auto Lease Trust Deals, April 6, 2020