

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

**FORM 8-K**

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):  
**February 2, 2016**

**TOYOTA MOTOR CREDIT CORPORATION**

(Exact name of registrant as specified in its charter)

<b>California</b>	<b>1-9961</b>	<b>95-3775816</b>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

**19001 S. Western Avenue  
Torrance, California 90501**

(Address of principal executive offices, including zip code)

**(310) 468-1310**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD.**

On February 2, 2016, Toyota Motor Credit Corporation (the “Company”) issued a press release announcing that it had reached a voluntary agreement with the Consumer Financial Protection Bureau (the “CFPB”) and the U.S. Department of Justice (the “DOJ” and, together with the CFPB, the “Agencies”) that addresses discretionary dealer compensation practices.

A copy of this press release is furnished as Exhibit 99.1 and incorporated herein by reference. The information in this item 7.01 and in Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 8.01 Other Events.**

On February 2, 2016 (the “Effective Date”), the Company reached a settlement with the Agencies related to the Agencies’ previously disclosed investigation of, and allegations regarding, the Company’s purchases of auto finance contracts from dealers and related discretionary dealer compensation practices. The Company entered into a consent order with each of the Agencies to reflect this settlement (together, the “Consent Orders”).

Pursuant to the Consent Orders, without admitting or denying any of the allegations, findings of fact or conclusions of law (except to establish jurisdiction), the Company has agreed to implement a new dealer compensation policy within 180 days of the Effective Date. In connection with the implementation of such policy, the Company has agreed to maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws. Additionally, the Company has agreed to pay \$19.9 million plus an additional amount up to \$2 million in consumer restitution, which is within the amount the Company had previously recorded as a loss contingency.

Copies of the Consent Orders are attached as Exhibits 99.2 and 99.3 and incorporated herein by reference. The description of the Consent Orders set forth above does not purport to be complete and is qualified by reference to their full text.

*Forward-looking Statements*

All statements in this report that do not directly and exclusively relate to historical facts constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on the Company’s current expectations and currently available information. Actual results and events in future periods may differ materially from these expectations due to certain risks, uncertainties and other important factors, including the risk factors set forth in the most recent annual and periodic reports of the Company. The Company does not undertake to update the forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking statements.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

Exhibit No.	Description
99.1	Press Release issued February 2, 2016 (furnished pursuant to Regulation FD).
99.2	Consent Order pursuant to the Equal Credit Opportunity Act, dated February 2, 2016, between Toyota Motor Credit Corporation and the U.S. Department of Justice.
99.3	Consent Order pursuant to the Equal Credit Opportunity Act and the Consumer Financial Protection Act of 2010, dated February 2, 2016, between Toyota Motor Credit Corporation and the Consumer Financial Protection Bureau, including the Stipulation and Consent to the Issuance of a Consent Order, dated February 2, 2016, by Toyota Motor Credit Corporation.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TOYOTA MOTOR CREDIT  
CORPORATION

Date: February 2, 2016

By: /s/ Katherine Adkins \_\_\_\_\_

Katherine Adkins  
Secretary

## EXHIBIT INDEX

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**FOR IMMEDIATE RELEASE**

Media Contact:

Justin Leach: (310) 468-5332

**Toyota Motor Credit Corporation Reaches Voluntary Agreement with CFPB and DOJ**

**TORRANCE, Calif., February 2, 2016** — With a commitment to fostering a fair and competitive auto finance lending market, Toyota Motor Credit Corporation (TMCC) today announced a voluntary agreement with the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice (DOJ) that addresses discretionary dealer compensation practices. TMCC determined that a voluntary agreement was the preferred resolution of the agencies' review, because it helps preserve consumer financing options while fairly compensating its dealer partners and upholding its commitment to fair lending practices. TMCC is the latest of several lenders to enter into such an agreement.

TMCC does not tolerate discrimination of any kind, even perceived or unintentional, from its employees or business partners – this principle extends to fair lending practices. While TMCC respectfully disagrees with the agencies' methodologies to determine whether industry lending practices have been discriminatory, the company shares the agencies' commitment to ensuring that consumers can count on competitive and fair auto financing options. The actions TMCC will take under this agreement are intended to further that commitment.

During their review the agencies did not contend that TMCC intentionally discriminated against its customers. Accordingly, TMCC denies any wrongdoing and notes that this voluntary agreement does not include an assessment of civil money penalties. As an indirect lender, TMCC has no visibility into the race or ethnicity of its customers or credit applicants, and these factors have no bearing on the company's credit or pricing decisions.

Specific terms of the agreement with the agencies include:

- Dealer participation caps will be limited to 125 basis points [1.25%] for contracts of 60 months or less and 100 basis points [1.00%] for contracts with longer terms.
- A three-year term that can be reduced to two years if certain conditions are met.
- TMCC will contribute up to \$21.9 million towards a fund payable to affected borrowers.

TMCC began working proactively and voluntarily with the federal agencies in 2013 as part of the agencies' broad review of the auto finance industry's discretionary dealer compensation practices and whether such policies contribute to unintended discriminatory impacts.

Additional information about this agreement and the fair lending process can be found at [TFSFairLending.org](http://TFSFairLending.org).

### **Agreement Underscored by Company's Commitment to Diversity and Inclusion**

TMCC's commitment to diversity and inclusion can be traced back more than 75 years, when Toyota was founded on a strong value system built on respect for people and teamwork. That commitment starts in the workplace and extends to the way TMCC values its customers and business partners.

Since opening its doors in 1983, TMCC has made diversity and inclusion a central part of its business practices and has launched programs to build upon that commitment, becoming a leader in the auto finance industry along the way.

Among these many programs, TMCC works with a number of minority-owned businesses and set a new standard for the auto finance industry by offering three Diversity & Inclusion Bonds. These bonds enabled investment banking firms that are certified Minority and Women Business Enterprises to strengthen their experience working on high profile transactions and serve as an integral component of Toyota's comprehensive funding program.

TMCC's commitment to diversity – including philanthropic endeavors, training programs, and other diversity initiatives – has resulted in the company being recognized by DiversityInc, Black Enterprise, Hispanic Business, and the Human Rights Campaign as a leader in diversity and inclusion. The company is a recipient of the 2014 Civic 50 Award, which recognizes the 50 most community-minded companies in the United States. Most recently, the United States Hispanic Chamber of Commerce selected Toyota Motor North America as the 2015 "Corporation of the Year."

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### **About Toyota Motor Credit Corporation**

*Toyota Motor Credit Corporation (TMCC) operates in the United States to offer retail auto financing and leasing to Toyota, Lexus and Scion customers through its dealership network. TMCC has a range of products to meet Toyota dealers' financing needs and also offers extended service contracts and other vehicle and payment protection products through its dealership network and Toyota Motor Insurance Services (TMIS) and its subsidiaries. TMCC offers its finance and protection products to Toyota customers and dealers using the Toyota Financial Services brand name. Lexus Financial Services is the brand for finance and protection products for Lexus dealers and customers. TMCC currently employs approximately 3,200 team members nationwide, and has assets totaling over \$100 billion. It is part of a worldwide network of comprehensive financial services offered by Toyota Financial Services Corporation, a wholly-owned subsidiary of Toyota Motor Corporation.*

*We announce material financial information using the investor relations section of our website ([www.toyotafinancial.com](http://www.toyotafinancial.com)) and SEC filings. We use these channels, press releases, and social media to communicate about our company, our services and other issues. While not all information we post on social media is of a material nature, some information*

could be material. Therefore, we encourage those interested in our company to review our posts on Twitter at [www.twitter.com/toyotafinancial](http://www.twitter.com/toyotafinancial).

**Forward-Looking Statements**

*This announcement may include certain “forward-looking statements” within the meaning of The U.S. Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and currently available information. Actual results may differ materially from these expectations due to certain risks, uncertainties and other important factors, including the risk factors set forth in the most recent annual and periodic reports of Toyota Motor Credit Corporation. We do not undertake to update the forward-looking statements to reflect actual results or changes in the factors affecting the forward-looking statements. This announcement does not constitute an offer to sell or a solicitation of an offer to purchase any securities. Any offer or sale of securities will be made only by means of a prospectus and related documentation.*

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UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

TOYOTA MOTOR CREDIT  
CORPORATION,

Defendant.

CIVIL ACTION NO.

CONSENT ORDER

## **I. INTRODUCTION**

This Consent Order is submitted jointly by the parties for the approval of and entry by the Court. The Consent Order resolves the claims of the United States, based on a joint investigation by the United States through the Civil Rights Division of the Department of Justice ("DOJ") and the Consumer Financial Protection Bureau ("Bureau"), that Toyota Motor Credit Corporation ("Toyota") allegedly engaged in a pattern or practice of conduct in violation of the Equal Credit Opportunity Act ("ECOA"), 15 U.S.C. §§ 1691-1691f, by permitting dealers to charge higher interest rates to consumer auto loan borrowers on the basis of race and national origin.

There has been no factual finding or adjudication with respect to any matter alleged by the United States. The parties have entered into this Consent Order to avoid the risks, expense, and burdens of litigation and to resolve voluntarily the claims in the United States' Complaint of Toyota's alleged violation of ECOA.

## **II. BACKGROUND**

Toyota is the largest captive auto finance company in the United States, as of the second quarter of 2015. Toyota holds a 5.2% share of the overall auto loan market based on originations, making it the fifth largest auto lender overall.

On April 25, 2013, the DOJ and the Bureau initiated a joint investigation under ECOA of Toyota's pricing of automobile loans or retail installment contracts. In its Complaint, the United States alleges that between January 1, 2011 and the present, Toyota engaged in a pattern or practice of discrimination on the basis of race and national origin in violation of ECOA based on permitting the interest rate "dealer markup"—the difference between Toyota's buy rate and the contract rate—paid by African-American and Asian and/or Pacific Islander borrowers who received automobile loans funded by Toyota.

The United States sets forth in its Complaint the allegations and claims of a pattern or practice of discrimination in violation of ECOA. Toyota neither admits nor denies the allegations and claims of a pattern or practice of discrimination in violation of the ECOA as set forth in the United States' Complaint. Under the provisions of this Consent Order, Toyota agrees to implement policies and procedures designed to ensure that the dealer markup on automobile retail installment contracts is negotiated in a nondiscriminatory manner consistent with ECOA and the Compliance Plan. In addition, Toyota will compensate certain African-American and Asian and/or Pacific Islander borrowers.

### **III. TOYOTA'S STATEMENT**

Toyota asserts that throughout the period of time at issue in this proceeding and to the present, it has treated all of its customers fairly and without regard to impermissible factors such as race or national origin. Toyota enters this settlement solely for the purpose of avoiding contested litigation with the Department of Justice, and instead to devote its resources to providing fair and industry-leading services to its customers.

The United States' allegations relate to amounts added to Toyota's risk-based buy rate, referred to in this Consent Order as "dealer markup," which compensates auto dealers for originating automobile loans. In most cases, Toyota does not originate automobile loans; instead, it purchases loans originated by dealers.<sup>1</sup> Toyota does not determine the amount of the dealer markup, but it does limit the amount of markup that may be added per transaction.

Toyota affirmatively asserts that it has treated all of its customers without regard to race or national origin, and that its business practices have promoted and achieved fairness across all customer groups. Furthermore, Toyota has not been informed that the United States contends Toyota or any of its employees engaged in any intentional discrimination or disparate treatment of minorities.

### **IV. DEFINITIONS**

The following definitions apply to this Consent Order:

- a. "Affected Consumers" include African-American and Asian and/or Pacific Islander consumers who entered into a non-subservent retail installment contract with Toyota during the period from January 1, 2011 through the date Toyota completes implementation of the chosen option pursuant to paragraph 2, below.
- b. "Board" means Toyota's duly-elected and acting Board of Directors.
- c. "Compliance Oversight Committee" means Toyota's Compliance Oversight Committee as it may be constituted, namely by the individuals holding the following titles: (1) Chief Executive Officer, (2) Chief Financial Officer, (3) Executive Vice President and Treasurer. The Compliance Committee shall consist of not less than three (3) members, and shall report directly to the Board. Within twenty (20) days of the Effective Date, the Board shall provide in writing to the DOJ and the Fair Lending Director (as defined in paragraph g below) the name of each member of the Compliance Committee. In the event of any change of membership, the Board shall submit the name of any new member in writing to the DOJ and the Fair Lending Director (as defined in paragraph g below).

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<sup>1</sup> In the state of Ohio, Toyota is licensed as a direct lender and customers sign contracts directly with Toyota rather than with a dealer.

d. "Dealer Discretion" means the entire range of dealer deviation from Toyota's risk-based buy rate, whether exercised by increasing or decreasing the buy rate, such as by altering the interest rate or buying down the rate. "Dealer Discretion" does not include Toyota's discretion to modify the buy rate. "Dealer Discretion" does not include a dealer's buying down of the buy rate with respect to all consumers to the extent such special offers are clearly advertised to all consumers.

e. "Effective Date" means the date on which the Consent Order is approved and entered by the Court.

f. "Executive Officers" means collectively the senior management of Toyota Motor Credit Corporation, including but not limited to its Principal Executive Officer(s), Principal Financial Officer(s), Chief Risk Officer(s), Treasurer(s), Group Vice President of Sales, Marketing and Product Development, and its Chief Compliance Officer(s).

g. "Fair Lending Director" means the Assistant Director of the Office of Fair Lending and Equal Opportunity for the Bureau, or his/her delegate.

h. "Non-objection" means written notification to Toyota that there is not an objection to a proposal by Toyota for a course of action. In the event the DOJ or the Fair Lending Director object to any proposed action by Toyota, the DOJ and the Fair Lending Director shall direct Toyota to make revisions, and Toyota shall make the revisions and resubmit the proposed action within thirty (30) days. Upon notification to Toyota of non-objection, Toyota must implement the course of action within thirty (30) days unless otherwise specified. Toyota cannot make any changes to the course of action without obtaining written notification to Toyota that there is not an objection to Toyota's proposed change.

i. "Related Consumer Action" means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Toyota based on substantially the same facts as described in the Complaint.

j. "Relevant Period" means the period from January 1, 2011 through February 2, 2016.

k. "Toyota" means Toyota Motor Credit Corporation, and its successors and assigns.

## **V. INJUNCTIVE RELIEF**

1. Consistent with this Consent Order, Toyota and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, are enjoined from engaging in any act or practice that discriminates on the basis of race or national origin in any aspect of Dealer Discretion in the pricing of automobile loans in violation of ECOA, 15 U.S.C. § 1691(a)(1), and Regulation B, 12 C.F.R. Part 1002.

**A. Dealer Compensation Policy**

2. Toyota shall implement a dealer compensation policy conforming with one (1) of the three (3) options detailed below. If a non-objection of the DOJ and the Fair Lending Director is required in a chosen option, Toyota shall submit the policy for non-objection within thirty (30) days of the Effective Date. Toyota shall implement the chosen option within the later of (a) one hundred and eighty (180) days of the Effective Date, or (b) thirty (30) days of obtaining any required non-objection. Toyota shall not implement any revised dealer compensation policy until obtaining all non-objections of the DOJ and the Fair Lending Director required by the chosen option.

**Option One:**

a. Toyota will limit Dealer Discretion in setting the contract rate to one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months. Toyota is not precluded from including in its compensation policies an additional nondiscretionary component of dealer compensation consistent with applicable laws and subject to the non-objection of the DOJ and the Fair Lending Director. Toyota may provide entirely nondiscretionary dealer compensation to some dealers (consistent with subparagraph h of Option Three, described below) while it provides discretionary compensation to other dealers consistent with Option One, so long as all loans purchased from a particular dealer are compensated using only one of the two compensation systems.<sup>2</sup>

b. Toyota will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including ECOA. With respect to monitoring Dealer Discretion for compliance with ECOA, Toyota must, at a minimum:

i. Send annual notices to all dealers explaining ECOA, stating Toyota's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.

ii. Monitor for compliance with Dealer Discretion limits.

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<sup>2</sup> Consistent with the definition of "Dealer Discretion," Toyota is not precluded from maintaining policies to reduce its risk-based buy rate based on standard, non-discretionary factors. Any such modifications, or "standard modifiers," based on such policies must be documented and applied to all qualifying consumers. Similarly, Toyota is not precluded from maintaining policies to reduce its risk-based buy rate based on competitive offers (e.g., a valid, dealer documented, competitive offer from another financing source) when it is necessary to retain the customer's transaction. Any such modifications, or "competitive modifiers," based on such policies shall be documented by identifying, within Toyota's systems, the institution offering the competitive rate and the rate offered. Toyota's dealer compensation policies shall not vary when Toyota reduces a risk-based buy rate; dealers may retain the discretion to mark up the modified buy rate, subject to the caps set forth in subparagraph (a) of this Option, If 2(a).

c. Toyota shall submit data on its indirect auto lending portfolio to the DOJ and the Fair Lending Director, at their request, no less often than semiannually for analysis and monitoring.

**Option Two:**

d. Toyota will limit Dealer Discretion in setting the contract rate to one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months. Toyota is not precluded from including in its compensation policies an additional nondiscretionary component of dealer compensation consistent with applicable laws and subject to the non-objection of the DOJ and the Fair Lending Director. Toyota may provide entirely nondiscretionary dealer compensation to some dealers (consistent with subparagraph h of Option Three, described below) while it provides discretionary compensation to other dealers consistent with Option Two, so long as all loans purchased from a particular dealer are compensated using only one of the two compensation systems.

i. Toyota shall establish a pre-set rate of dealer participation (i.e., additional interest above the risk-based buy rate) that Toyota will require dealers to include in all credit offers that the dealer extends to customers ("Standard Dealer Participation Rate"), such that:

- A. The Standard Dealer Participation Rate cannot exceed one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months.
- B. Toyota may allow dealers to include a single, set lower dealer participation rate than the Standard Dealer Participation Rate for particular loan types and/or channels or for all loans purchased from a particular dealership.
- C. Toyota may allow dealers to include a lower dealer participation rate than the Standard Dealer Participation Rate based on a lawful exception pursuant to the fair lending policies and procedures as set forth below, and subject to the dealer's agreement to abide by the policies and maintain required documentation.

ii. To the extent Toyota allows exceptions to the Standard Dealer Participation Rate, to ensure consistency with the requirements of ECOA, Toyota shall establish policies and procedures for those exceptions subject

to the non-objection of the DOJ and the Fair Lending Director. The DOJ and the Bureau recommend that the policies and procedures for such exceptions include the following elements:

- A. Granting Exceptions: Policies and procedures that specifically define the circumstances when Toyota allows downward departures from the Standard Dealer Participation Rate.
- B. Documenting Exceptions: Policies and procedures that require on a loan-by-loan basis, documentation appropriate for each specific exception that is, at a minimum, sufficient to effectively monitor compliance with the exceptions policies. Such documentation should be sufficient not only to explain the basis for granting any exception to the Standard Dealer Participation Rate, but also to provide details and/or documentation of the particular circumstances of the exception.
- C. Record Retention: Policies and procedures for documentation retention requirements that, at a minimum, comply with the requirements of Regulation B.

e. Toyota will develop and maintain a compliance management system to monitor dealer compliance with setting contracts at the Standard Dealer Participation Rate and any exceptions thereto to ensure they comply with the conditions for exceptions to the Standard Dealer Participation Rate. This will include:

- i. Training dealers on Toyota's exceptions policies and procedures;
- ii. Regular monitoring of dealers' exceptions to the Standard Dealer Participation Rate, including documentation of those exceptions;
- iii. Periodic audits for compliance with all policies and procedures relevant to granting exceptions to the Standard Dealer Participation Rate and to test for and identify fair lending risk; and
- iv. Appropriate corrective action for a dealer's noncompliance with Toyota's exceptions policies and procedures, culminating in the restriction or elimination of dealers' ability to exercise discretion in setting a consumer's contract rate or exclusion of dealers from future transactions with Toyota.

f. Toyota will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including ECOA. With respect to monitoring Dealer Discretion for compliance with ECOA, Toyota, in addition to the monitoring set forth in paragraph (e)(iv) above, must, at a minimum:

- i. Send annual notices to all dealers explaining ECOA, stating Toyota's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.
- ii. Monitor for compliance with Dealer Discretion limits.
- g. Toyota shall submit data on its indirect auto lending portfolio to the DOJ and the Fair Lending Director, at their request, no less often than semiannually for analysis and monitoring.

**Option Three:**

- h. Toyota will maintain policies that do not allow dealers any discretion to set the contract rate subject to the non-objection of the DOJ and the Fair Lending Director.
- i. Toyota will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including ECOA. This will include Toyota sending annual notices to all dealers explaining ECOA, stating Toyota's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.
- j. Toyota will not have to review or remunerate for prohibited basis disparities in dealer markup resulting from Dealer Discretion in setting the contract rate, because there is no such discretion. Toyota will not have to maintain a compliance management system to monitor dealer exceptions because dealers do not have such discretion.

**VI. ROLE OF THE BOARD OF DIRECTORS**

- 3. Except for the data required by subparagraph c of Option One and subparagraph g of Option Two, the Board or the Compliance Oversight Committee must review all submissions (including plans, reports, programs, policies, and procedures) required by this Consent Order prior to submission to the DOJ and the Fair Lending Director.
- 4. Although this Consent Order requires Toyota to submit certain documents for review or non-objection by the DOJ and the Fair Lending Director, the Board will have the ultimate responsibility for proper and sound oversight of Toyota and for ensuring that Toyota complies with Federal consumer financial law and this Consent Order.
- 5. In each instance in this Consent Order that requires the Board or the Compliance Oversight Committee to ensure adherence to, or perform certain obligations of Toyota, the Board or the Compliance Oversight Committee must:
  - a. Authorize and adopt whatever actions are necessary for Toyota to fully comply with this Consent Order;



- b. Require timely reporting by management to the Board or the Compliance Oversight Committee on the status of compliance obligations; and
  - c. Require timely and appropriate corrective action to remedy any failure to comply with the Board or the Compliance Oversight Committee directives related to this Section.
6. Until the termination of this Consent Order, Toyota's Compliance Oversight Committee of its Board shall be responsible for monitoring and coordinating Toyota's adherence to the provisions of this Consent Order. In accordance with the Compliance Oversight Committee's Charter, the Committee shall meet at least four times a year, and shall maintain minutes of its meetings.

## **VII. MONETARY PROVISIONS**

### **A. Settlement Fund**

7. Within thirty (30) days of the Effective Date, Toyota shall deposit into an interest-bearing escrow account nineteen million nine hundred thousand dollars (\$19,900,000), for the purpose of providing redress to Affected Consumers who were overcharged during the Relevant Period as required by this Section. Toyota shall provide written verification of the deposit to the DOJ and the Bureau within five (5) business days of depositing the funds described in this paragraph. This, plus any amount added pursuant to paragraph 8 below, will constitute the Settlement Fund. Any interest that accrues will become part of the Settlement Fund and will be utilized and disposed of as set forth herein. Any taxes, costs, or other fees incurred by the Settlement Fund shall be paid by Toyota.

8. Based upon a determination made by the DOJ and the Fair Lending Director as to additional redress to Affected Consumers during the period from the Effective Date to the date Toyota completes implementation of the option chosen pursuant to paragraph 2, Toyota shall deposit an additional amount of up to two million dollars (\$2,000,000) into the Settlement Fund, in an amount set by the DOJ and the Fair Lending Director, such that the total amount of redress for Affected Consumers is up to twenty-one million nine hundred thousand dollars (\$21,900,000). The determination of the DOJ and the Fair Lending Director shall be based on a portfolio-wide analysis of retail installment contract pricing data for disparities on a prohibited basis resulting from Toyota's dealer compensation policy from the period from the Effective Date to the date Toyota completes implementation of the chosen option pursuant to paragraph 2, and reflect the same methods and controls the DOJ and the Bureau applied in their analyses described in paragraphs 21-22 of the Complaint.

9. Within thirty (30) days of the Effective Date, Toyota shall identify a proposed Settlement Administrator ("Administrator"), who shall be subject to the non-objection of the DOJ and the Fair Lending Director. Within forty-five (45) days of an Administrator's selection, Toyota shall, subject to the non-objection of the DOJ and the Fair Lending Director to its terms, execute a contract with the Administrator to conduct the activities set forth in paragraphs 11 through 19. Toyota shall bear all costs and expenses of the Administrator. The Administrator's contract shall require the Administrator to comply with the provisions of this Consent Order as applicable to the Administrator and shall require it to work cooperatively with Toyota, the DOJ, and the Bureau in the conduct of its activities, including reporting regularly and providing all reasonably requested information to the DOJ and the Fair Lending Director. The contract with the Administrator shall require the Administrator to comply with all confidentiality and privacy restrictions applicable to the party who supplied information and data to the Administrator.

10. In the event that the DOJ or the Fair Lending Director have reason to believe that the Administrator is not materially complying with the terms of the contract with the Administrator, they shall provide written notice to Toyota detailing the noncompliance. Within fourteen (14) days, Toyota shall present for review and determination of non-objection a course of action to effectuate the Administrator's material compliance with the terms of the contract with the Administrator.

11. The contract with the Administrator shall require the Administrator, as part of its operations, to establish cost-free means for Affected Consumers to contact it, including an email address, a website, a toll-free telephone number, and means for persons with disabilities to communicate effectively. The contract with the Administrator shall require the Administrator to make all reasonable efforts to provide effective translation services to Affected Consumers, including but not limited to providing live English and foreign-language-speaking operators to speak to Affected Consumers who call the toll-free telephone number and request a live operator, and providing foreign language interpretations and translations for communications with Affected Consumers.

12. The DOJ and the Fair Lending Director shall request from Toyota information and data the DOJ and the Fair Lending Director reasonably believe will assist in identifying Affected Consumers and determining any monetary and other damages, including but not limited to a database of all retail installment contracts booked by Toyota during the period from January 1, 2011 to the date Toyota completes implementation of the chosen option pursuant to paragraph 2, and all data variables the DOJ and the Bureau obtained during their investigation. Within thirty (30) days of

the date Toyota completes implementation of the chosen option pursuant to paragraph 2, Toyota shall supply the requested information and data.

13. The DOJ and the Fair Lending Director shall jointly provide to the Administrator and Toyota a list of retail installment contracts with consumers that the DOJ and the Fair Lending Director have determined are eligible to receive monetary relief pursuant to this Consent Order after receipt of all the information and data they requested pursuant to paragraph 12. The total amount of the Settlement Fund shall not be altered based on the number of listed retail installment contracts.

14. Within thirty (30) days after the date the DOJ and the Fair Lending Director provide the list of retail installment contracts referenced in paragraph 13, Toyota will provide to the DOJ, the Fair Lending Director, and the Administrator the name, most recent mailing address in its servicing records, Social Security number, and other information as requested for the primary borrower and each co-borrower (if any) on each listed retail installment contract ("Identified Borrowers"). Such information and data shall be used by the DOJ, the Bureau, and the Administrator only for the law enforcement purposes of implementing the Consent Order. The total amount of the Settlement Fund shall not be altered based on the number of Identified Borrowers.

15. After receipt of all the information required to be provided by paragraph 14, the DOJ and the Fair Lending Director shall provide Toyota and the Administrator with the initial estimate of the amount each Identified Borrower will receive from the Settlement Fund. No individual, agency, or entity may request that any court, the DOJ, the Bureau, Toyota, or the Administrator review the selection of Identified Borrowers or the amount to be received. The total amount of the Settlement Fund shall not be altered based on the amounts that Identified Borrowers receive.

16. The contract with the Administrator shall require the Administrator to adopt effective methods, as requested by the DOJ and the Fair Lending Director, to confirm the identities and eligibility of Identified Borrowers and provide to the DOJ and the Fair Lending Director a list of Identified Borrowers whose identities and eligibility have been confirmed ("Confirmed Borrowers") within two hundred and seventy (270) days from the date the DOJ and the Fair Lending Director provide the information described in paragraph 15.

17. Within sixty (60) days after the date the Administrator provides to the DOJ and the Fair Lending Director the list of Confirmed Borrowers, the DOJ and the Fair Lending Director shall provide to the Administrator a list containing the final payment amount for each Confirmed Borrower. The total amount of the Settlement Fund shall not be

altered based on the number of Confirmed Borrowers or the amounts they receive. No individual, agency, or entity may request that any court, the DOJ, the Bureau, Toyota, or the Administrator review the final payment amounts.

18. The contract with the Administrator shall require the Administrator to deliver payment to each Confirmed Borrower in the amount determined by the DOJ and the Fair Lending Director as described in paragraph 17 within forty-five (45) days. The contract with the Administrator shall also require the Administrator to further conduct a reasonable search for a current address and redeliver any payment that is returned to the Administrator as undeliverable, or not deposited within six (6) months.

19. The contract with the Administrator shall require the Administrator to maintain the cost-free means for consumers to contact it described in paragraph 11 and finalize distribution of the final payments described in paragraphs 17 and 18 within twelve (12) months from the date the DOJ and the Fair Lending Director provide the list of final payment amounts to the Administrator in accordance with paragraph 17. Confirmed Borrowers shall have until that date to request reissuance of payments that have not been deposited.

20. The details regarding administration of the Settlement Fund set forth in paragraphs 9 through 19 can be modified by agreement of the DOJ, the Fair Lending Director, and Toyota. Payments from the Settlement Fund to Confirmed Borrowers collectively shall not exceed the amount of the Settlement Fund, including accrued interest.

21. Toyota will not be entitled to a set-off, or any other reduction, of the amount of final payments to Confirmed Borrowers because of any debts owed by the Confirmed Borrowers. Toyota also will not refuse to make a payment based on a release of legal claims or account modification previously signed by any Confirmed Borrowers.

22. All money in the Settlement Fund not distributed to Confirmed Borrowers shall be distributed by the Administrator to one or more organizations that provide services, including credit counseling, financial literacy, and other related programs, targeted to African-American or Asian and/or Pacific Islander borrowers ("Qualified Organization"). Before selecting the Qualified Organization(s), Toyota will (1) obtain proposals from the Organization(s) on how the funds will be used consistent with the above-stated purpose, and (2) submit selected proposals from the Organization(s), and the proposed amount of funds each Organization would receive, to the DOJ and the Bureau within thirty (30) days of the date that the Administrator completes the delivery of the payments under paragraph 18. The DOJ shall consult with the Bureau in providing its non-objection to Toyota's proposal and shall respond to Toyota's proposal within thirty (30) days of the submission. Toyota and the DOJ, in consultation with the Bureau, may request

modification of an Organization's proposal before approving the Organization(s). Qualified Organization(s) must not be affiliated with Toyota, Toyota's parent, or any affiliated entity of Toyota's parent.

23. The parties shall obtain the Court's approval of the selection of the Qualified Organization(s) and the amount to be distributed to each Qualified Organization prior to distribution as provided by paragraph 22. Within fifteen (15) days after the DOJ's non-objection to the Qualified Organization(s), the parties shall move the Court to authorize the distribution of the funds. The parties shall provide the Court with information regarding how the Qualified Organization(s) meet the requirements set forth in paragraph 22.

24. Within one (1) year after the funds are distributed and every year thereafter until the funds are exhausted, Toyota shall require each Qualified Organization to submit to Toyota a report detailing that funds are utilized for the purposes identified in paragraph 22. Toyota shall submit those reports to the DOJ and the Bureau within thirty (30) days of receiving them. For any Qualified Organization that does not provide such a report, Toyota shall require that the funds be returned to the Administrator for redistribution to the other Organization(s) approved to receive funds.

#### **B. Additional Monetary Provisions**

25. In the event of any default on Toyota's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

26. Toyota must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Toyota.

27. Under 31 U.S.C. § 7701, Toyota, unless it already has done so, must furnish to the DOJ and the Fair Lending Director its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

28. Within thirty (30) days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Toyota must notify the DOJ and the Fair Lending Director of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Toyota paid or is required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

### **VIII. ADMINISTRATIVE PROVISIONS**

#### **A. Reporting Requirements**

29. Toyota must notify the DOJ and the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Toyota; or a change in Toyota's name or address. Toyota must provide this notice, if practicable, at least thirty (30) days before the development, but in any case no later than fourteen (14) days after the development.

30. Within ten (10) business days of the Effective Date, Toyota must:

a. Designate at least one telephone number and email, physical, and postal address as points of contact, which the DOJ and the Bureau may use to communicate with Toyota regarding this Consent Order;

b. Identify all businesses for which Toyota is the majority owner, or that Toyota directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;

c. Describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.

d. Toyota must report any change in the information required to be submitted under this Section (paragraphs 29 to 31) as soon as practicable, but in any case at least thirty (30) days before the change.

31. Within one hundred and eighty (180) days of the Effective Date, and every one hundred and eighty (180) days thereafter until the termination of this Consent Order, Toyota must submit to the DOJ and the Fair Lending Director an accurate written Compliance Progress Report, which has been approved by the Board or the Compliance Oversight Committee. Each Report shall provide a complete account of Toyota's actions to comply with each requirement of the Consent Order during the previous six (6) months, an objective assessment of the extent to which each quantifiable obligation was met, an explanation of why any particular component fell short of meeting its goal for the previous six (6) months, and any recommendation for additional actions to achieve the goals of the Consent Order.

## **B. Order Distribution and Acknowledgment**

32. Within thirty (30) days of the Effective Date, Toyota must deliver a copy of this Consent Order to each of its Board members and Executive Officers.

33. Until the termination of this Consent Order, Toyota must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section A and any future Board Members and Executive Officers before they assume their responsibilities.

34. Toyota must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et seq., within thirty (30) days of delivery, from all persons receiving a copy of this Consent Order pursuant to this Section.

### **C. Recordkeeping**

35. Toyota must create, or if already created, must retain until the termination of this Consent Order the following business records:

- a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including but not limited to, reports submitted to the DOJ and the Fair Lending Director and all documents and records pertaining to redress, as set forth in Section VI above;
- b. All documents and records pertaining to the Monetary Provisions and administration, described in Section VII above; and
- c. All written consumer complaints related to Toyota's retail installment contracts alleging discrimination by Toyota (whether received directly or indirectly, such as through a third party), and any responses to those written complaints or requests.

36. All business records created or retained pursuant to this Section shall be retained at least until the termination of this Consent Order, and shall be made available upon the DOJ's or the Fair Lending Director's request to DOJ representatives or Bureau representatives, respectively, within sixty (60) days of a request.

### **D. Modifications to Non-Material Requirements**

37. Toyota may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the DOJ and the Fair Lending Director.

38. The DOJ may, in its discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if the DOJ determines good cause justifies the modification. Any such modification by the DOJ must be in writing.

### **E. Notices**

39. Unless otherwise directed in writing by a DOJ or a Bureau representative, all submissions, requests, communications, consents, or other documents relating to this Consent Order shall be in writing and sent by overnight courier (not the U.S. Postal Service) as follows:



To the DOJ:

Chief

Housing and Civil Enforcement Section

Civil Rights Division

U.S. Department of Justice

1800 G Street NW, Suite 7002

Washington, DC 20006

Attn: DJ 188-12C-46, United States v. Toyota Motor Credit Corporation

By contemporaneous email to [marta.campos@usdoj.gov](mailto:marta.campos@usdoj.gov)

To the Fair Lending Director:

Fair Lending Director

Consumer Financial Protection Bureau

ATTENTION: Jane M.E. Peterson

1625 Eye Street, N.W.

Washington, DC 20006

The subject line shall begin: In re Toyota Motor Credit Corporation, File No.

2016-CFPB [Docket #] dated February 2, 2016; or

By first-class mail to the below address and contemporaneously by email to [Jane.Peterson@cfpb.gov](mailto:Jane.Peterson@cfpb.gov):

Fair Lending Director

Consumer Financial Protection Bureau

ATTENTION: Jane M.E. Peterson

1700 G Street, N.W.

Washington, DC 20552

The subject line shall begin: In re Toyota Motor Credit Corporation, File No.

2016-CFPB [Docket #] dated February 2, 2016.

To Toyota:

Matthew L. Biben

Partner

Debevoise & Plimpton LLP

919 Third Avenue

New York, NY 10022

Tel.: (212) 909-6606

Fax: (212) 909-6836

mbiben@debevoise.com

**F. Other Provisions**

40. Except as provided in paragraphs 41 and 43, the provisions of this Consent Order do not bar, estop, or otherwise prevent the DOJ, or any other governmental agency, from taking any other action against Toyota.

41. The DOJ releases and discharges Toyota from all potential liability for all ECOA claims of the United States Attorney General for discriminating on the basis of race or national origin that have been or might have been asserted by the United States Attorney General based on the practices described in the Complaint, to the extent such practices occurred prior to the Effective Date, and are known to the DOJ as of the Effective Date. Notwithstanding the foregoing, the practices alleged in the Complaint may be utilized by the DOJ in future enforcement actions against Toyota and its affiliates, including without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations. This release shall not preclude or affect any right of the DOJ to determine and ensure compliance with the terms and provisions of this Consent Order, or to seek penalties for any violations thereof.

42. Toyota may request to modify the compliance management program required by this Consent Order (as described in the Options set forth in Section V) when the modification is based upon a change in circumstances that has arisen during the pendency of this Consent Order, including but not limited to any amendment to the statutory or regulatory regime applicable to dealer markup and compensation policies, or the adoption of a materially different dealer compensation policy by lenders comprising a majority of the auto loan market as defined by retail installment contract volume. Any such request to modify the compliance plan is subject to the DOJ's and the Fair Lending Director's review

and determination that the modified compliance management program eliminates or substantially reduces Dealer Discretion, and determination of non-objection.

43. This Consent Order will terminate three (3) years from the Effective Date, unless Toyota conducts a portfolio-wide analysis, as described in this paragraph, that yields dealer markup disparities based on race or national origin below the agreed upon target for both African-American and Asian and/or Pacific Islander borrowers, in which case the Consent Order shall terminate two (2) years after the Effective Date. The analysis referenced in the previous sentence shall be a portfolio-wide analysis of retail installment contract pricing data for disparities on a prohibited basis resulting from Toyota's dealer compensation policy; it will analyze data for the six (6)-month period beginning two hundred and fifty (250) days after Toyota implements the chosen option pursuant to paragraph 2 and reflect the same methods and controls the DOJ and the Bureau applied in their analyses described in paragraphs 21-22 of the Complaint, unless the DOJ and the Bureau approve the use of additional controls or methodological changes proposed by Toyota. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the DOJ. The DOJ will not pursue any potential violations of ECOA against, or seek consumer remuneration from, Toyota for conduct undertaken with respect to Dealer Discretion that is both pursuant to and consistent with this Consent Order during the term of the Consent Order.

44. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

45. Should Toyota seek to transfer or assign all or part of its operations that are subject to this Consent Order, Toyota must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

46. This Consent Order is enforceable only by the parties. No person or entity is intended to be a third party beneficiary of the provisions of this Consent Order for purposes of any civil, criminal, or administrative action, and accordingly, no person or entity may assert a claim or right as a beneficiary or protected class under this Consent Order.

47. Each party to this Consent Order shall bear its own costs and attorney's fees associated with this litigation.

48. The DOJ and Toyota agree that, as of the Effective Date, litigation is not "reasonably foreseeable" concerning the matters described above. To the extent that the DOJ or Toyota previously implemented a litigation hold

to preserve documents, electronically stored information, or things related to the matters described above, it is no longer required to maintain such litigation hold. Nothing in this paragraph relieves the DOJ or Toyota of any other obligations imposed by this Consent Order.

49. To the extent that a specific action by Toyota is required both by this Consent Order and any Consent Order issued by the Bureau in the administrative proceeding styled In the Matter of Toyota Motor Credit Corporation, filed on or about February 2, 2016, action by Toyota that satisfies a requirement under any such consent order will satisfy that same requirement under this Consent Order.

50. The Court shall retain jurisdiction for the duration of this Consent Order to enforce its terms, after which time the case shall be dismissed with prejudice.

SO ORDERED, this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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UNITED STATES DISTRICT JUDGE

The undersigned hereby apply for and consent to the entry of the Order:

For the United States of America:

LORETTA E. LYNCH  
Attorney General

/s/ EILEEN M. DECKER  
EILEEN M. DECKER  
United States Attorney  
Central District of California

/s/ VANITA GUPTA  
VANITA GUPTA  
Principal Deputy Assistant Attorney General Civil  
Rights -Division

DOROTHY A. SCHOUTEN  
Assistant United States Attorney  
Chief, Civil Division

/s/ ROBYN-MARIE MONTELEONE  
ROBYN-MARIE MONTELEONE  
Assistant United States Attorney  
Assistant Division Chief  
Civil Rights Unit Chief  
Civil Division  
Central District of California  
312 North Spring Street  
Suite 1200  
Los Angeles, California  
Tel: (213) 894-2400  
Fax: (213) 894-0141  
Robby.monteleone@usdoj.gov

/s/ SAMEENA SHINA MAJEED  
SAMEENA SHINA MAJEED  
Acting Chief  
Civil Rights Division  
Housing and Civil Enforcement Section

/s/ DANIEL P. MOSTELLER  
DANIEL P. MOSTELLER Acting Special Litigation  
Counsel for Fair Lending

/s/ MARTA CAMPOS  
MARTA CAMPOS Trial Attorney  
United States Department of Justice Civil Rights  
Division Housing and Civil Enforcement Section 950  
Pennsylvania Avenue, N.W. — NWB Washington, DC  
20530 Tel.: (202) 514-4713 Fax: (202) 514-1116  
marta.campos@usdoj.gov

For Defendant Toyota Motor Credit Corporation:

/s/ ELIZABETH H. LINDH

ELIZABETH H. LINDH (Bar No. 162660)

Shareholder

Keesal, Young & Logan

400 Oceangate

Long Beach, CA 90802

Tel: (562) 436-2000

Fax: (562) 436-7416

MATTHEW L. BIBEN (pro hac vice application to be filed)

Partner

Debevoise & Plimpton LLP

919 Third Avenue

New York, NY 10022

Tel: (212) 909-6606

Fax: (212) 909-6836

**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

ADMINISTRATIVE PROCEEDING  
File No. 2016-CFPB-

In the Matter of:

TOYOTA MOTOR CREDIT  
CORPORATION

**CONSENT ORDER**

The Consumer Financial Protection Bureau (Bureau) conducted a joint investigation with the Civil Rights Division of the Department of Justice (DOJ) of the indirect auto lending activities of Toyota Motor Credit Corporation (Respondent, as defined below) and Respondent's compliance with the Equal Credit Opportunity Act (ECOA), 15 U.S.C. §§ 1691-1691f, and its implementing regulation, Regulation B, 12 C.F.R. pt. 1002. The Bureau has identified the following violations: Respondent violated the ECOA and Regulation B by permitting dealers to charge higher interest rates to consumer auto loan borrowers on the basis of race and national origin. The DOJ has alleged the same violations in a civil action filed in the United States District Court for the Central District of California styled *United States of America v. Toyota Motor Credit Corporation*, filed on or about February 2, 2016. The Bureau hereby issues, pursuant to sections 1053 and 1055 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5563, 5565, this Consent Order (Consent Order) in coordination with the DOJ.

## **I**

### **Jurisdiction**

1. The Bureau has jurisdiction to enforce the ECOA pursuant to the CFPA, 12 U.S.C. §§ 5481(12)(D), (14), 5563, 5565 and the ECOA, 15 U.S.C. § 1691c(a)(9).

## **II**

### **Stipulation**

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated January 29, 2016 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under sections 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent admits the facts necessary to establish the Bureau’s jurisdiction over Respondent and the subject matter of this action.

## **III**

### **Definitions**

3. The following definitions apply to this Consent Order:
- a. “Affected Consumers” include African-American and Asian and/or Pacific Islander consumers who entered into a non-subvented retail installment contract with Respondent during the period from January 1, 2011 through the date Respondent completes implementation of the chosen option pursuant to paragraph 25, below.



b. “Board” means Respondent’s duly-elected and acting Board of Directors.

c. “Compliance Oversight Committee” means Respondent’s Compliance Oversight Committee as it may be constituted, namely by the individuals holding the following titles: (1) Chief Executive Officer, (2) Chief Financial Officer, (3) Executive Vice President and Treasurer. The Compliance Committee shall consist of not less than three (3) members, and shall report directly to the Board. Within twenty (20) days of the Effective Date, the Board shall provide in writing to the Fair Lending Director (as defined in paragraph 3(g) below) and the DOJ the name of each member of the Compliance Committee. In the event of any change of membership, the Board shall submit the name of any new member in writing to the Fair Lending Director (as defined in paragraph 3(g) below) and the DOJ.

d. “Dealer Discretion” means the entire range of dealer deviation from Respondent’s risk-based buy rate, whether exercised by increasing or decreasing the buy rate, such as by altering the interest rate or buying down the rate. “Dealer Discretion” does not include Respondent’s discretion to modify the buy rate. “Dealer Discretion” does not include a dealer’s buying down of the buy rate with respect to all consumers to the extent such special offers are clearly advertised to all consumers.

- e. “Effective Date” means the date on which this Consent Order is issued.
- f. “Executive Officers” means collectively the senior management of Toyota Motor Credit Corporation, including but not limited to its Principal Executive Officer(s), Principal Financial Officer(s), Chief Risk Officer(s), Treasurer(s), Group Vice President of Sales, Marketing and Product Development and its Chief Compliance Officer(s).
- g. “Fair Lending Director” means the Assistant Director of the Office of Fair Lending and Equal Opportunity for the Bureau, or his/her delegate.
- h. “Non-objection” means written notification to Respondent that there is not an objection to a proposal by Respondent for a course of action. In the event the Fair Lending Director or the DOJ object to any proposed action by Respondent, the Fair Lending Director and the DOJ shall direct Respondent to make revisions, and Respondent shall make the revisions and resubmit the proposed action within thirty (30) days. Upon notification to Respondent of non-objection, Respondent must implement the course of action within thirty (30) days unless otherwise specified. Respondent cannot make any changes to the course of action without obtaining written notification to Respondent that there is not an objection to Respondent’s proposed change.

i. “Related Consumer Action” means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.

j. “Relevant Period” means the period from January 1, 2011 through the Effective Date.

k. “Respondent” means Toyota Motor Credit Corporation and its successors and assigns.

## IV

### **Bureau Findings and Conclusions**

The Bureau finds the following:

4. Respondent is a captive auto finance company and U.S. financing arm of Toyota Financial Services Corporation, which is a subsidiary of Toyota Motor Corporation, the world’s largest carmaker. Respondent’s principal place of business is in Torrance, California.

5. Respondent is a “covered person” as that term is defined by 12 U.S.C. § 5481(6).

6. As of the second quarter of 2015, Respondent was the largest captive auto lender in the United States. Respondent held a 5.2 percent share of the overall auto loan market based on originations, making it the fifth largest auto lender overall. The Bureau has supervisory authority over Respondent.

7. Respondent finances or purchases both subvented and non-subvented auto loans. Subvented auto loans are loans for which an auto manufacturer, such as Toyota Motor Corporation, reduces the price of the loan through a subsidy, reduced interest rate, or other means. Approximately fifty (50) percent of Respondent's indirect auto loan business involves subvented auto loans.

8. The Bureau and the DOJ initiated a joint investigation of Respondent's pricing of automobile loans or retail installment contracts.

9. Each loan application submitted by a dealer is required to comply with the policies, conditions, and requirements that Respondent sets for dealers.

10. Automobile dealers submit applications to Respondent on behalf of consumers. To determine whether it will fund a loan, and on what terms, Respondent conducts an underwriting process on each loan application submitted by its dealers on behalf of a consumer. For those applications that Respondent approves, Respondent sets a specified "buy rate." Respondent determines the buy rate using a proprietary underwriting and pricing model that takes into account individual borrowers' creditworthiness and other objective criteria related to borrower risk. Respondent then communicates that buy rate to the dealer that submitted the application to Respondent. Respondent's buy rate reflects the minimum interest rate, absent additional discounts or reductions, at which Respondent will finance or purchase a retail installment contract from a dealer.

11. With respect to non-subvented retail installment contracts, Respondent maintains a specific policy and practice that provides dealers discretion to mark up a

consumer's interest rate above Respondent's established risk-based buy rate. The difference between the buy rate and the consumer's interest rate on the retail installment contract (contract rate) is known as the "dealer markup." Respondent compensates dealers from the increased interest revenue to be derived from the dealer markup.

12. During the Relevant Period, with respect to non-subservent loans, Respondent limited the dealer markup to 250 basis points for contracts with terms of sixty (60) monthly payments or less, to 200 basis points for contracts with terms greater than sixty (60) and less than seventy-two (72) months, and 175 basis points for contracts with terms equal to or greater than seventy-two (72) months.

13. Respondent regularly participates in the decision to extend credit by taking responsibility for underwriting, setting the terms of credit by establishing the risk-based buy rate on each approved application, and communicating those terms to automobile dealers. Respondent influences the credit decision by indicating to automobile dealers whether or not Respondent will purchase retail installment contracts on the terms specified by Respondent.

14. Respondent is a creditor within the meaning of the ECOA, 15 U.S.C. § 1691a(e), and Regulation B, 12 C.F.R. § 1002.2(l).

15. The Bureau and the DOJ analyzed the dealer markup of the retail installment contracts that Respondent purchased between January 1, 2011 and December 31, 2013. During the time period covered by the analyses, Respondent purchased hundreds of thousands of retail installment contracts, and the Bureau and the DOJ

determined that thousands of retail installment contracts that Respondent purchased had African-American and Asian and/or Pacific Islander borrowers.<sup>1</sup>

16. The retail installment contracts analyzed by the Bureau and the DOJ did not contain information on the race or national origin of borrowers. To evaluate any differences in dealer markup, the Bureau and the DOJ assigned race and national origin probabilities to applicants. The Bureau and the DOJ employed a proxy methodology that combines geography-based and name-based probabilities, based on public data published by the United States Census Bureau, to form a joint probability using the Bayesian Improved Surname Geocoding (BISG) method.<sup>2</sup> The joint race and national origin probabilities obtained through the BISG method were then used directly in the Bureau's and DOJ's models to estimate any disparities in dealer markup on the basis of race or national origin.

17. The Bureau's and the DOJ's markup analyses focused on the interest rate difference between each borrower's contract rate and each borrower's buy rate set by Respondent. Respondent considers individual borrowers' creditworthiness and other objective criteria related to borrower risk in setting the buy rate as explained in paragraph 10. The dealer markups charged by Respondent to consumers are based on

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<sup>1</sup> As used here, "African American" includes "Black or African American" and "Asian and/or Pacific Islander" includes both "Asian" and "Native Hawaiian or Other Pacific Islander," as defined by the Office of Management and Budget in *Revisions to the Standards for the Classification of Federal Data on Race and Ethnicity* (Oct. 30, 1997), available at [http://www.whitehouse.gov/omb/fedreg\\_1997standards](http://www.whitehouse.gov/omb/fedreg_1997standards).

<sup>2</sup> See *Using Publicly Available Information to Proxy for Unidentified Race and Ethnicity: A Methodology and Assessment* (Sept. 17, 2014), available at <http://www.consumerfinance.gov/reports/using-publicly-available-information-to-proxy-for-unidentified-race-andethnicity/>.

dealer discretion and are separate from, and not controlled by, the adjustments for creditworthiness and other objective criteria related to borrower risk that are already reflected in the buy rate. Respondent's markup policy provided for dealer discretion and did not include consideration of these factors. Because the analysis focused on only the difference between each borrower's contract rate and buy rate, it did not make additional adjustments for creditworthiness or other objective criteria related to borrower risk.

18. During the time period covered by the analyses, on average, African-American borrowers were charged approximately twenty-seven (27) basis points more in dealer markup than similarly-situated non-Hispanic whites for non-subservent retail installment contracts. These disparities are statistically significant,<sup>3</sup> and these differences are based on race and not based on creditworthiness or other objective criteria related to borrower risk. These disparities mean that thousands of African-American borrowers paid higher markups than the average non-Hispanic white markup and were obligated to pay, on average, over \$200 more each in interest than similarly-situated non-Hispanic white borrowers on non-subservent loans, assuming they held their loans for the full term of the contract.

19. During the time period covered by the analyses, on average, Asian and/or Pacific Islander borrowers were charged approximately eighteen (18) basis points more in dealer markup than similarly-situated non-Hispanic whites for non-subservent retail installment contracts. These disparities are statistically significant, and these differences

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<sup>3</sup> Statistical significance is a measure of probability that an observed outcome would not have occurred by chance. As used in this Consent Order, an outcome is statistically significant if the probability that it could have occurred by chance is less than 5%.

are based on race and national origin and not based on creditworthiness or other objective criteria related to borrower risk. These disparities mean that thousands of Asian and/or Pacific Islander borrowers paid higher markups than the average non-Hispanic white markup and were obligated to pay, on average, over \$100 more each in interest than similarly-situated non-Hispanic white borrowers on non-subservent loans assuming they held their loans for the full term of the contract.

20. The higher markups that Respondent charged to African-American and Asian and/or Pacific Islander borrowers are a result of Respondent's specific policy and practice of allowing dealers to mark up a consumer's interest rate above Respondent's established buy rate and then compensating dealers from that increased interest revenue.

21. Respondent's specific policy and practice of allowing dealers to mark up a consumer's interest rate above Respondent's established buy rate and then compensating dealers from that increased interest revenue continued throughout the entire Relevant Period.

22. During most of the Relevant Period, Respondent did not monitor whether discrimination on a prohibited basis occurred through the charging of markups across its portfolio of retail installment contracts and did not employ adequate controls to prevent discrimination. However, during the course of the Bureau's and the DOJ's investigation, on September 10, 2014, Respondent implemented a dealer monitoring program to enhance compliance.

23. Respondent's specific policy and practice of allowing dealers to mark up a consumer's contract rate above Respondent's established buy rate and then compensating



dealers from that increased interest revenue without adequate controls and monitoring is not justified by legitimate business need and constitutes discrimination against applicants with respect to credit transactions on the basis of race and national origin in violation of the ECOA, 15 U.S.C. § 1691(a)(1), and Regulation B, 12 C.F.R. §§ 1002.4(a), 1002.6(a), 1002.6(b)(9).

## **ORDER**

### **V**

#### **Conduct Provisions**

**IT IS ORDERED**, under sections 1053 and 1055 of the CFPA, that:

24. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate section 701 of the ECOA, 15 U.S.C. § 1691(a)(1), and Regulation B, 12 C.F.R. pt. 1002, by engaging in any act or practice that discriminates on the basis of race or national origin in any aspect of Dealer Discretion in the pricing of automobile loans.

### **VI**

#### **Remedial Action**

**IT IS FURTHER ORDERED** that:

25. Respondent shall implement a dealer compensation policy conforming with one (1) of the three (3) options detailed below. If a non-objection of the Fair Lending Director and DOJ is required in a chosen option, Respondent shall submit the policy for non-objection within thirty (30) days of the Effective Date. Respondent shall implement the chosen option within the later of (a) one hundred and eighty (180) days of

the Effective Date, or (b) thirty (30) days of obtaining any required non-objection.

Respondent shall not implement any revised dealer compensation policy until obtaining all non-objections of the Fair Lending Director and the DOJ required by the chosen option.

**Option One:**

- a. Respondent will limit Dealer Discretion in setting the contract rate to one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months. Respondent is not precluded from including in its compensation policies an additional nondiscretionary component of dealer compensation consistent with applicable laws and subject to the non-objection of the Fair Lending Director and the DOJ. Respondent may provide entirely nondiscretionary dealer compensation to some dealers (consistent with subparagraph h of Option Three, described below) while it provides discretionary compensation to other dealers consistent with Option One, so long as all loans purchased from a particular dealer are compensated using only one of the two compensation systems.<sup>4</sup>

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<sup>4</sup> Consistent with the definition of “Dealer Discretion,” Respondent is not precluded from maintaining policies to reduce its risk-based buy rate based on standard, non-discretionary factors. Any such modifications, or “standard modifiers,” based on such policies must be documented and applied to all qualifying consumers. Similarly, Respondent is not precluded from maintaining policies to reduce its risk-based buy rate based on competitive offers (e.g., a valid, dealer documented, competitive offer from another financing source) when it is necessary to retain the customer’s transaction. Any such

- b. Respondent will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including the ECOA. With respect to monitoring Dealer Discretion for compliance with the ECOA, Respondent must, at a minimum:
  - i. Send annual notices to all dealers explaining the ECOA, stating Respondent's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.
  - ii. Monitor for compliance with Dealer Discretion limits.
- c. Respondent shall submit data on its indirect auto lending portfolio to the Fair Lending Director and the DOJ, at their request, no less often than semiannually for analysis and monitoring.

Option Two:

- d. Respondent will limit Dealer Discretion in setting the contract rate to one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months.  
  
Respondent is not precluded from including in its compensation policies

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modifications, or "competitive modifiers" based on such policies shall be documented by identifying within Respondent's systems, the institution offering the competitive rate and the rate offered. Respondent's dealer compensation policies shall not vary when Respondent reduces a risk-based buy rate; dealers may retain the discretion to mark up the modified buy rate, subject to the caps set forth in subparagraph (a) of this Option, ¶ 25(a).

an additional nondiscretionary component of dealer compensation consistent with applicable laws and subject to the non-objection of the Fair Lending Director and the DOJ. Respondent may provide entirely nondiscretionary dealer compensation to some dealers (consistent with subparagraph h of Option Three, described below) while it provides discretionary compensation to other dealers consistent with Option Two, so long as all loans purchased from a particular dealer are compensated using only one of the two compensation systems.

- i. Respondent shall establish a pre-set rate of dealer participation (i.e., additional interest above the risk-based buy rate) that Respondent will require dealers to include in all credit offers that the dealer extends to customers (“Standard Dealer Participation Rate”), such that:
  - A. The Standard Dealer Participation Rate cannot exceed one hundred and twenty-five (125) basis points for retail installment contracts with terms of sixty (60) months or less, and one hundred (100) basis points for retail installment contracts with terms greater than sixty (60) months.
  - B. Respondent may allow dealers to include a single, set lower dealer participation rate than the Standard Dealer

Participation Rate for particular loan types and/or channels or for all loans purchased from a particular dealership.

- C. Respondent may allow dealers to include a lower dealer participation rate than the Standard Dealer Participation Rate based on a lawful exception pursuant to the fair lending policies and procedures as set forth below, and subject to the dealer's agreement to abide by the policies and maintain required documentation.
  
- ii. To the extent Respondent allows exceptions to the Standard Dealer Participation Rate, to ensure consistency with the requirements of the ECOA, Respondent shall establish policies and procedures for those exceptions subject to the non-objection of the Fair Lending Director and the DOJ. The Bureau and the DOJ recommend that the policies and procedures for such exceptions include the following elements:
  - A. Granting Exceptions: Policies and procedures that specifically define the circumstances when Respondent allows downward departures from the Standard Dealer Participation Rate.
  
  - B. Documenting Exceptions: Policies and procedures that require on a loan-by-loan basis, documentation appropriate for each specific exception that is, at a minimum, sufficient

to effectively monitor compliance with the exceptions policies. Such documentation should be sufficient not only to explain the basis for granting any exception to the Standard Dealer Participation Rate, but also to provide details and/or documentation of the particular circumstances of the exception.

C. Record Retention: Policies and procedures for documentation retention requirements that, at a minimum, comply with the requirements of Regulation B.

e. Respondent will develop and maintain a compliance management system to monitor dealer compliance with setting contracts at the Standard Dealer Participation Rate and any exceptions thereto to ensure they comply with the conditions for exceptions to the Standard Dealer Participation Rate.

This will include:

- i. Training dealers on Respondent's exceptions policies and procedures;
- ii. Regular monitoring of dealers' exceptions to the Standard Dealer Participation Rate, including documentation of those exceptions;
- iii. Periodic audits for compliance with all policies and procedures relevant to granting exceptions to the Standard Dealer Participation Rate and to test for and identify fair lending risk; and

- iv. Appropriate corrective action for a dealer's noncompliance with Respondent's exceptions policies and procedures, culminating in the restriction or elimination of dealers' ability to exercise discretion in setting a consumer's contract rate or exclusion of dealers from future transactions with Respondent.
- f. Respondent will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including the ECOA. With respect to monitoring Dealer Discretion for compliance with the ECOA, Respondent, in addition to the monitoring set forth in paragraph (e)(iv) above, must, at a minimum:
  - i. Send annual notices to all dealers explaining the ECOA, stating Respondent's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.
  - ii. Monitor for compliance with Dealer Discretion limits.
- g. Respondent shall submit data on its indirect auto lending portfolio to the Fair Lending Director and the DOJ, at their request, no less often than semiannually for analysis and monitoring.

Option Three:

- h. Respondent will maintain policies that do not allow dealers any discretion to set the contract rate subject to the non-objection of the Fair Lending Director and the DOJ.
- i. Respondent will maintain general compliance management systems reasonably designed to assure compliance with all relevant federal consumer financial laws, including the ECOA. This will include Respondent sending annual notices to all dealers explaining the ECOA, stating Respondent's expectation with respect to ECOA compliance, and articulating the dealer's obligation to price retail installment contracts in a non-discriminatory manner.
- j. Respondent will not have to review or remunerate for prohibited basis disparities in dealer markup resulting from Dealer Discretion in setting the contract rate, because there is no such discretion. Respondent will not have to maintain a compliance management system to monitor dealer exceptions because dealers do not have such discretion.

## **VII**

### **Role of the Board of Directors**

**IT IS FURTHER ORDERED** that:

26. Except for the data required by subparagraph (c) of Option One and subparagraph (g) of Option Two, the Board or the Compliance Oversight Committee must review all submissions (including plans, reports, programs, policies, and



procedures) required by this Consent Order prior to submission to the Fair Lending Director and the DOJ.

27. Although this Consent Order requires Respondent to submit certain documents for review or non-objection by the Fair Lending Director and the DOJ, the Board will have the ultimate responsibility for proper and sound oversight of Respondent and for ensuring that Respondent complies with federal consumer financial law and this Consent Order.

28. In each instance in this Consent Order that requires the Board or the Compliance Oversight Committee to ensure adherence to, or perform certain obligations of Respondent, the Board or the Compliance Oversight Committee must:

- a. Authorize and adopt whatever actions are necessary for Respondent to fully comply with this Consent Order;
- b. Require timely reporting by management to the Board or the Compliance Oversight Committee on the status of compliance obligations; and
- c. Require timely and appropriate corrective action to remedy any failure to comply with Board or the Compliance Oversight Committee directives related to this Section.

29. Until the termination of this Consent Order, Respondent's Compliance Oversight Committee of its Board of Directors shall be responsible for monitoring and coordinating Respondent's adherence to the provisions of this Consent Order. In

accordance with the Compliance Oversight Committee's Charter, the Committee shall meet at least four times a year, and shall maintain minutes of its meetings.

## **MONETARY PROVISIONS**

### **VIII**

#### **Order to Pay Redress**

**IT IS FURTHER ORDERED** that:

30. Within thirty (30) days of the Effective Date, Respondent shall deposit into an interest-bearing escrow account nineteen million, nine hundred thousand dollars (\$19,900,000.00), for the purpose of providing redress to Affected Consumers who were overcharged during the Relevant Period as required by this Section. Respondent shall provide written verification of the deposit to the Bureau and the DOJ within five (5) business days of depositing the funds described in this paragraph. This, plus any amount added pursuant to paragraph 31 below, will constitute the Settlement Fund. Any interest that accrues will become part of the Settlement Fund and will be utilized and disposed of as set forth herein. Any taxes, costs, or other fees incurred by the Settlement Fund shall be paid by Respondent.

31. Based upon a determination made by the Fair Lending Director and the DOJ as to additional redress to Affected Consumers during the period from the Effective Date to the date Respondent completes implementation of the option chosen pursuant to paragraph 25, Toyota shall deposit an additional amount of up to two million dollars (\$2,000,000.00) into the Settlement Fund, in an amount set by the Fair Lending Director and the DOJ, such that the total amount of redress for Affected Consumers is up to

twenty-one million, nine hundred thousand dollars (\$21,900,000). The determination of the Fair Lending Director and the DOJ shall be based on a portfolio-wide analysis of retail installment contract pricing data for disparities on a prohibited basis resulting from Respondent's dealer compensation policy from the period from the Effective Date to the date Respondent completes implementation of the chosen option pursuant to paragraph 25 and reflect the same methods and controls the Bureau and the DOJ applied in their analyses described in paragraphs 16-17 of this Consent Order.

32. Within thirty (30) days of the Effective Date, Respondent shall identify a proposed Settlement Administrator ("Administrator"), who shall be subject to the non-objection of the Fair Lending Director and the DOJ. Within forty-five (45) days of an Administrator's selection, Respondent shall, subject to the non-objection of the Fair Lending Director and the DOJ to its terms, execute a contract with the Administrator to conduct the activities set forth in paragraphs 35 through 43. Respondent shall bear all costs and expenses of the Administrator. The Administrator's contract shall require the Administrator to comply with the provisions of this Consent Order as applicable to the Administrator and shall require it to work cooperatively with Respondent, the Bureau, and the DOJ in the conduct of its activities, including reporting regularly and providing all reasonably requested information to the Fair Lending Director and the DOJ. The contract with the Administrator shall require the Administrator to comply with all confidentiality and privacy restrictions applicable to the party who supplied information and data to the Administrator.

33. In the event that the Fair Lending Director or the DOJ have reason to believe that the Administrator is not materially complying with the terms of the contract with the Administrator, they shall provide written notice to Respondent detailing the noncompliance. Within fourteen (14) days, Respondent shall present for review and determination of non-objection a course of action to effectuate the Administrator's material compliance with the terms of the contract with the Administrator.

34. The contract with the Administrator shall require the Administrator, as part of its operations, to establish cost-free means for Affected Consumers to contact it, including an email address, a website, a toll-free telephone number, and means for persons with disabilities to communicate effectively. The contract with the Administrator shall require the Administrator to make all reasonable efforts to provide effective translation services to Affected Consumers, including but not limited to providing live English and foreign-language-speaking operators to speak to Affected Consumers who call the toll-free telephone number and request a live operator, and providing foreign language interpretations and translations for communications with Affected Consumers.

35. The Fair Lending Director and the DOJ shall request from Respondent information and data the Fair Lending Director and the DOJ reasonably believe will assist in identifying Affected Consumers and determining any monetary and other damages, including but not limited to a database of all retail installment contracts booked by Respondent during the period from January 1, 2011 to the date Respondent completes implementation of the chosen option pursuant to paragraph 25, and all data variables the Bureau obtained during its investigation. Within thirty (30) days of the date Respondent

completes implementation of the chosen option pursuant to paragraph 25, Respondent shall supply the requested information and data.

36. The Fair Lending Director and the DOJ shall jointly provide to the Administrator and Respondent a list of retail installment contracts with consumers that the Fair Lending Director and the DOJ have determined are eligible to receive monetary relief pursuant to this Consent Order after receipt of all the information and data they requested pursuant to paragraph 35. The total amount of the Settlement Fund shall not be altered based on the number of listed retail installment contracts.

37. Within thirty (30) days after the date the Fair Lending Director and the DOJ provide the list of retail installment contracts referenced in paragraph 36, Respondent will provide to the Fair Lending Director, the DOJ, and the Administrator the name, most recent mailing address in its servicing records, Social Security number, and other information as requested for the primary borrower and each co-borrower (if any) on each listed retail installment contract (“Identified Borrowers”). Such information and data shall be used by the Bureau, the DOJ, and the Administrator only for the law enforcement purposes of implementing the Consent Order. The total amount of the Settlement Fund shall not be altered based on the number of Identified Borrowers.

38. After receipt of all the information required to be provided by paragraph 37, the Fair Lending Director and the DOJ shall provide Respondent and the Administrator with the initial estimate of the amount each Identified Borrower will receive from the Settlement Fund. No individual, agency, or entity may request that any court, the Bureau, the DOJ, Respondent, or the Administrator review the selection of

Identified Borrowers or the amount to be received. The total amount of the Settlement Fund shall not be altered based on the amounts that Identified Borrowers receive.

39. The contract with the Administrator shall require the Administrator to adopt effective methods, as requested by the Fair Lending Director and the DOJ, to confirm the identities and eligibility of Identified Borrowers and provide to the Fair Lending Director and the DOJ a list of Identified Borrowers whose identities and eligibility have been confirmed (“Confirmed Borrowers”) within two hundred and seventy (270) days from the date the Fair Lending Director and the DOJ provide the information described in paragraph 38.

40. Within sixty (60) days after the date the Administrator provides to the Fair Lending Director and the DOJ the list of Confirmed Borrowers, the Fair Lending Director and the DOJ shall provide to the Administrator a list containing the final payment amount for each Confirmed Borrower. The total amount of the Settlement Fund shall not be altered based on the number of Confirmed Borrowers or the amounts they receive. No individual, agency, or entity may request that any court, the Bureau, the DOJ, Respondent, or the Administrator review the final payment amounts.

41. The contract with the Administrator shall require the Administrator to deliver payment to each Confirmed Borrower in the amount determined by the Fair Lending Director and the DOJ as described in paragraph 40 within forty-five (45) days. The contract with the Administrator shall also require the Administrator to further conduct a reasonable search for a current address and redeliver any payment that is returned to the Administrator as undeliverable, or not deposited within six (6) months.

42. The contract with the Administrator shall require the Administrator to maintain the cost-free means for consumers to contact it described in paragraph 34 and finalize distribution of the final payments described in paragraphs 40 and 41 within twelve (12) months from the date the Fair Lending Director and the DOJ provide the list of final payment amounts to the Administrator in accordance with paragraph 40. Confirmed Borrowers shall have until that date to request reissuance of payments that have not been deposited.

43. The details regarding administration of the Settlement Fund set forth in paragraphs 34 through 42 can be modified by agreement of the Fair Lending Director, the DOJ, and Respondent. Payments from the Settlement Fund to Confirmed Borrowers collectively shall not exceed the amount of the Settlement Fund, including accrued interest.

44. Respondent will not be entitled to a set-off, or any other reduction, of the amount of final payments to Confirmed Borrowers because of any debts owed by the Confirmed Borrowers. Respondent also will not refuse to make a payment based on a release of legal claims or account modification previously signed by any Confirmed Borrowers.

45. Upon the Administrator's completion of the distribution of funds to Confirmed Borrowers, and in the event that funds remain after the Respondent provides redress to Confirmed Borrowers as set forth in paragraph 41, distribution of any and all remaining money shall be subject to Court approval in accordance with paragraphs 22-23 of any Consent Order entered by the United States District Court for the Central District

of California in the civil action styled *United States of America v. Toyota Motor Credit Corporation*, filed on or about February 2, 2016, and if still remaining, deposited in the U.S. Treasury as disgorgement.

## IX

### Additional Monetary Provisions

**IT IS FURTHER ORDERED** that:

46. In the event of any default on Respondent's obligations to make payment under this Consent Order, interest, computed under 28 U.S.C. § 1961, as amended, will accrue on any outstanding amounts not paid from the date of default to the date of payment, and will immediately become due and payable.

47. Respondent must relinquish all dominion, control, and title to the funds paid to the fullest extent permitted by law and no part of the funds may be returned to Respondent.

48. Under 31 U.S.C. § 7701, Respondent, unless it already has done so, must furnish to the Fair Lending Director and the DOJ its taxpayer identifying numbers, which may be used for purposes of collecting and reporting on any delinquent amount arising out of this Consent Order.

49. Within thirty (30) days of the entry of a final judgment, consent order, or settlement in a Related Consumer Action, Respondent must notify the Fair Lending Director and the DOJ of the final judgment, consent order, or settlement in writing. That notification must indicate the amount of redress, if any, that Respondent paid or is



required to pay to consumers and describe the consumers or classes of consumers to whom that redress has been or will be paid.

## **COMPLIANCE PROVISIONS**

### **X**

#### **Reporting Requirements**

**IT IS FURTHER ORDERED** that:

50. Respondent must notify the Fair Lending Director and DOJ of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least thirty (30) days before the development, but in any case no later than fourteen (14) days after the development.

51. Within ten (10) business days of the Effective Date, Respondent must:

a. Designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau and the DOJ may use to communicate with Respondent regarding this Consent Order;

b. Identify all businesses for which Respondent is the majority owner, or that Respondent directly or indirectly controls, by all of their names, telephone numbers, and physical, postal, email, and Internet addresses;

c. Describe the activities of each such business, including the products and services offered, and the means of advertising, marketing, and sales.

d. Respondent must report any change in the information required to be submitted under this Section (paragraphs 50 to 51) as soon as practicable, but in any case at least thirty (30) days before the change.

52. Within one hundred and eighty (180) days of the Effective Date, and every one hundred and eighty (180) days thereafter until the termination of this Consent Order, Respondent must submit to the Fair Lending Director and the DOJ an accurate written Compliance Progress Report, which has been approved by the Board or the Compliance Oversight Committee. Each Report shall provide a complete account of Respondent's actions to comply with each requirement of the Consent Order during the previous six (6) months, an objective assessment of the extent to which each quantifiable obligation was met, an explanation of why any particular component fell short of meeting its goal for the previous six (6) months, and any recommendation for additional actions to achieve the goals of the Consent Order.

## XI

### Order Distribution and Acknowledgment

**IT IS FURTHER ORDERED** that:

53. Within thirty (30) days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its Board members and Executive Officers.

54. Until the termination of this Consent Order, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in structure referred to in Section X and any future Board Members and Executive Officers within thirty (30) days after they assume their responsibilities.

55. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 et seq., within thirty (30) days of delivery, from all persons receiving a copy of this Consent Order pursuant to this Section.

## XII

### Recordkeeping

**IT IS FURTHER ORDERED** that:

56. Respondent must create, or if already created, must retain until the termination of this Consent Order the following business records:

- a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including but not limited

to, reports submitted to the Fair Lending Director and the DOJ and all documents and records pertaining to redress, as set forth in Section VIII above;

b. All documents and records pertaining to the order to pay redress, described in Section VIII above; and

c. All written consumer complaints related to Respondent's retail installment contracts alleging discrimination by Respondent (whether received directly or indirectly, such as through a third party), and any responses to those written complaints or requests.

57. All business records created or retained pursuant to this Section shall be retained at least until the termination of this Consent Order, and shall be made available upon the Fair Lending Director's or the DOJ's request to Bureau representatives or DOJ representatives, respectively, within sixty (60) days of a request.

### **XIII**

#### **Modifications to Non-Material Requirements**

**IT IS FURTHER ORDERED** that:

58. Respondent may seek a modification to non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Fair Lending Director and the DOJ.

59. The Fair Lending Director may, in his/her discretion, modify any non-material requirements of this Consent Order (e.g., reasonable extensions of time and changes to reporting requirements) if the Fair Lending Director determines good cause

justifies the modification. Any such modification by the Fair Lending Director must be in writing.

#### **XIV**

#### **Notices**

**IT IS FURTHER ORDERED** that:

60. Unless otherwise directed in writing by a Bureau or DOJ representative, all submissions, requests, communications, consents, or other documents relating to this Consent Order shall be in writing, and sent as follows:

To the Fair Lending Director:

By overnight courier (not the U.S. Postal Service), as follows:

Fair Lending Director  
Consumer Financial Protection Bureau  
ATTENTION: Jane M.E. Peterson  
1625 Eye Street, N.W.  
Washington, DC 20006  
The subject line shall begin: *In re Toyota Motor Credit Corporation*, File No. 2016-CFPB- , dated February 2, 2016; or

By first-class mail to the below address and contemporaneously by email

to

Jane.Peterson@cfpb.gov:

Fair Lending Director  
Consumer Financial Protection Bureau  
ATTENTION: Jane M.E. Peterson  
1700 G Street, N.W.  
Washington, DC 20552  
The subject line shall begin: *In re Toyota Motor Credit Corporation*, File No. 2016-CFPB- , dated February 2, 2016

To the DOJ to the below address and contemporaneously by email to

Marta.Campos@usdoj.gov:

Chief  
Housing and Civil Enforcement Section  
Civil Rights Division  
U.S. Department of Justice  
1800 G Street NW, Suite 7002  
Washington, DC 20006  
Attn: DJ 188-58-12, *United States v. Toyota Motor Credit Corporation*

## XV

### **Administrative Provisions**

61. Except as provided in paragraphs 62 and 65, the provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent.

62. The Bureau releases and discharges Respondent from all potential liability for all ECOA claims of the Bureau for discriminating on the basis of race or national origin that have been or might have been asserted by the Bureau based on the practices described in Section IV of this Consent Order, to the extent such practices occurred prior to the Effective Date, and are known to the Bureau as of the Effective Date.

Notwithstanding the foregoing, the practices described in this Consent Order may be utilized by the Bureau in future enforcement actions against Respondent and its affiliates, including without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release shall not preclude or affect any right of the Bureau to determine and

ensure compliance with the terms and provisions of this Consent Order, or to seek penalties for any violations thereof.

63. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under section 1053 of the CFPB, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.

64. Respondent may request to modify the compliance management program required by this Consent Order (as described in the Options set forth in Section VI) when the modification is based upon a change in circumstances that has arisen during the pendency of this Consent Order, including but not limited to any amendment to the statutory or regulatory regime applicable to dealer markup and compensation policies, or the adoption of a materially different dealer compensation policy by lenders comprising a majority of the auto loan market as defined by retail installment contract volume. Any such request to modify the compliance plan is subject to the Fair Lending Director's and the DOJ's review and determination that the modified compliance management program eliminates or substantially reduces Dealer Discretion, and determination of non-objection.

65. This Consent Order will terminate three (3) years from the Effective Date, unless Respondent conducts a portfolio-wide analysis, as described in this paragraph, that yields dealer markup disparities based on race or national origin below the agreed upon target for both African-American and Asian and/or Pacific Islander borrowers, in which case the Consent Order shall terminate two (2) years after the Effective Date. The

analysis referenced in the previous sentence shall be a portfolio-wide analysis of retail installment contract pricing data for disparities on a prohibited basis resulting from Respondent's dealer compensation policy; it will analyze data for the six (6)-month period beginning two hundred fifty (250) days after Respondent implements the chosen option pursuant to paragraph 25 and reflect the same methods and controls the Bureau and the DOJ applied in their analyses described in paragraphs 16-17 of this Consent Order, unless the Bureau and the DOJ approve the use of additional controls or methodological changes proposed by Respondent. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent. The Bureau will not pursue any violations of ECOA against, or seek consumer remuneration from, Respondent for conduct undertaken with respect to Dealer Discretion that is both pursuant to and consistent with this Consent Order during the term of this Consent Order.

66. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.

67. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.

68. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of



civil money penalties allowed under section 1055(c) of the CFPA, 12 U.S.C. § 5565(c).

In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found and Respondent may not contest that court's personal jurisdiction over Respondent.

69. This Consent Order and the accompanying Stipulation contain the complete agreement between the Bureau and Respondent. The Bureau and Respondent have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

70. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

71. This Consent Order is enforceable only by the parties. No person or entity is intended to be a third party beneficiary of the provisions of this Consent Order for purposes of any civil, criminal, or administrative action, and accordingly, no person or entity may assert a claim or right as a beneficiary or protected class under this Consent Order.

72. Each party to this Consent Order shall bear its own costs and attorney's fees associated with this litigation.

73. The Bureau and the Respondent agree that, as of the Effective Date, litigation between the parties is not "reasonably foreseeable" concerning the matters

described above. To the extent that the Bureau or the Respondent previously implemented a litigation hold to preserve documents, electronically stored information, or things related to the matters described above, the prospect of litigation between the parties no longer requires them to maintain such litigation hold. Nothing in this paragraph relieves the Bureau or Respondent of any other obligations imposed by this Consent Order, or other applicable law.

74. To the extent that a specific action by Respondent is required both by this Consent Order and any Consent Order entered by the United States District Court for the Central District of California in the civil action styled *United States of America v. Toyota Motor Credit Corporation*, filed on or about February 2, 2016, action by Respondent that satisfies a requirement under any such District Court Consent Order will satisfy that same requirement under this Consent Order.

**IT IS SO ORDERED**, this 2nd day of February, 2016.

/s/ Richard Cordray \_\_\_\_\_  
Richard Cordray  
Director  
Consumer Financial Protection Bureau

**UNITED STATES OF AMERICA  
CONSUMER FINANCIAL PROTECTION BUREAU**

**File No. 2016-CFPB-**

In the Matter of:

TOYOTA MOTOR CREDIT  
CORPORATION

**STIPULATION AND CONSENT TO  
THE ISSUANCE OF A CONSENT  
ORDER**

The Consumer Financial Protection Bureau (Bureau) intends to initiate an administrative proceeding against Toyota Motor Credit Corporation (Respondent), under 12 U.S.C. §§ 5563 and 5565, for its pricing of consumer automobile retail installment contracts in violation of the Equal Credit Opportunity Act (ECOA), 15 U.S.C. §§ 1691-1691f, and its implementing regulation, Regulation B, 12 C.P.R. pt. 1002.

Respondent, in the interest of compliance and resolution of the matter, without admitting or denying any wrongdoing, consents to the issuance of a Consent Order substantially in the form of the one to which this Stipulation and Consent to the Issuance of a Consent Order is attached (Consent Order), and which is incorporated by reference.

In consideration of the above premises, Respondent, through its authorized representative, agrees to the following:

**Jurisdiction**

1. The Bureau has jurisdiction over this matter under sections 1053 and 1055 of the Consumer Financial Protection Act (CFPA), 12 U.S.C. §§ 5563, 5565.

**Consent**

2. Respondent agrees to the issuance of the Consent Order, without admitting or denying any of the findings of fact or conclusions of law, except that Respondent

admits the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

3. Respondent agrees that the Consent Order will be deemed an "order issued with the consent of the person concerned" under 12 U.S.C. § 5563(b)(4), and agrees that the Consent Order will become a final order, effective upon issuance, and will be fully enforceable by the Bureau under 12 U.S.C. §§ 5563(d)(1) and 5565.

4. Respondent voluntarily enters into this Stipulation and Consent to the Issuance of a Consent Order.

5. The Consent Order resolves only Respondent's potential liability for law violations that the Bureau asserted or might have asserted based on the practices described in Section IV of the Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date.

Respondent acknowledges that no promise or representation has been made by the Bureau or any employee, agent, or representative of the Bureau, about any liability outside of this action that may have arisen or may arise from the facts underlying this action or immunity from any such liability.

6. Respondent agrees that the facts described in Section IV of the Consent Order will be taken as true and be given collateral estoppel effect, without further proof, in any proceeding before the Bureau to enforce the Consent Order, or in any subsequent civil litigation by the Bureau to enforce the Consent Order or its rights to any payment or monetary judgment under the Consent Order.

7. The terms and provisions of this Stipulation and the Consent Order will be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

8. Respondent agrees that the Bureau may present the Consent Order to the Bureau Director for signature and entry without further notice.

9. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the Bureau, along with the executed original of this Stipulation.

#### **Waivers**

10. Respondent, by consenting to this Stipulation, waives:

- a. Any right to service of the Consent Order, and agrees that issuance of the Consent Order will constitute notice to the Respondent of its terms and conditions;
- b. Any objection to the jurisdiction of the Bureau, including, without limitation, under section 1053 of the CFPA, 12 U.S.C. § 5563;
- c. The rights to all hearings under the statutory provisions under which the proceeding is to be or has been instituted; the filing of proposed findings of fact and conclusions of law; proceedings before, and a recommended decision by, a hearing officer; all post-hearing procedures; and any other procedural right available under section 1053 of the CFPA, 12 U.S.C. § 5563, or 12 CFR Part 1081;
- d. The right to seek any administrative or judicial review of the Consent Order;

- e. Any claim for fees, costs or expenses against the Bureau, or any of its agents or employees, and any other governmental entity, related in any way to this enforcement matter or the Consent Order, whether arising under common law or under the terms of any statute, including, but not limited to the Equal Access to Justice Act and the Small Business Regulatory Enforcement Fairness Act of 1996; for these purposes, Respondent agrees that Respondent is not the prevailing party in this action because the parties have reached a good faith settlement;
- f. Any other right to challenge or contest the validity of the Consent Order;
- g. Such provisions of the Bureau's rules or other requirements of law as may be construed to prevent any Bureau employee from participating in the preparation of, or advising the Director as to, any order, opinion, finding of fact, or conclusion of law to be entered in connection with this Stipulation or the Consent Order; and
- h. Any right to claim bias or prejudice by the Director based on the consideration of or discussions concerning settlement of all or any part of the proceeding.

Toyota Motor Credit Corporation BY:

/s/ Michael Groff  
President and Chief Executive Officer  
Toyota Motor Credit Corporation

February 2, 2016  
Date