



Summary of TMCC’s Voluntary Agreement with the CFPB/DOJ

- TMCC admits no wrongdoing. TMCC is the latest of several lenders to enter into a voluntary agreement as a result of the agencies’ joint investigation of the industry’s discretionary dealer compensation practices.
- The terms help preserve the discretionary dealer participation model that TMCC considers the best solution for providing consumers with the most financing options while fairly compensating its dealer partners for the important services they provide.
- Terms of the agreement:
 - 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.
 - TMCC will continue to grant exceptions and will pay dealer participation subject to the new caps.
 - Changes do not take effect for 180 days (August 1st).
 - The agreement is in effect for three years and can be reduced to two years if certain conditions are met.
 - TMCC will introduce a new feature to compensate dealers an additional flat fee, from its own proceeds, for contracts written at maximum rate participation.
 - Contribution of up to \$21.9 million towards a fund payable to affected borrowers.
 - Importantly, no civil money penalties were assessed.
 - The agencies did not contend that TMCC intentionally discriminated against its customers.
- Comparison to Honda’s agreement (TMCC’s retail portfolio is twice as large):
 - **More flexible terms**, such as the ability to continue to grant exceptions to the buy rate.
 - **Shorter duration** (5-year term for Honda vs. 3-year term for TMCC, with the ability to reduce term to two years if certain conditions are met).
 - **Customer restitution is lower** (up to \$21.9M vs. \$24M).
 - **TMCC will not increase its buy rates** in response to the consent order. The additional flat fee for contracts written at max participation will be paid from its own proceeds.
- If the market does not move to these new caps, under this Consent Order TMCC will have the flexibility to make changes to its programs including adjusting dealer participation caps at the end of its term.

Lender	Announcement Date	Adjusted Markup Cap (<60 months)	Customer Restitution	Penalties
Ally	Dec 2013	N/A	\$80M	\$18M
Honda	Jul 2015	1.25%	\$24M	\$0
Fifth Third Bank	Sep 2015	1.25%	\$18M	\$0
TMCC	Feb 2016	1.25%	\$21.9	\$0