

CREDIT ABC's

What is Credit?

Unless you're paying cash for your Toyota upfront, the only way to take one home is to finance or lease it. Financing requires making monthly payments to pay for the purchase of the vehicle. Leasing involves paying for the use of the vehicle over time plus any lease charges. Not sure which is better for you? Check out our Buy or Lease? quiz. We also have a Buy vs. Lease matrix featured in this section that can help explain the differences between financing and leasing.

Much like every decision you make, there are pros and cons to consider before you actually apply for an extension of credit.

The Benefits of Good Credit

A good credit history can open many doors. Many big-ticket items (like cars) are purchased on credit. Using an extension of credit to purchase or lease a car, purchase a new home, or purchase anything else can be convenient, and in many cases to your advantage. An extension of credit is also commonly used to purchase everyday items such as groceries and that new jacket you've had your eye on.

The Costs

Credit is convenient, but it's not free. When creditors grant you an extension of credit, they give you financial flexibility. But there's a cost. Creditors charge a fee for that financial flexibility. Every creditor has a different way of charging you, too. So it's very important that you always review all the documents given to you and the terms of your credit extension before entering into an agreement with a creditor. Typically, the fees you are charged with include some form of interest.

See the Your Credit page for details on your own personal credit standing.



YOUR CREDIT

Your personal credit rating is a self-assessment of your spending and billing habits and your overall debt load. Your past credit activity affects the financing terms you will receive from a dealership.

Rate your credit

Here's a guide to help determine your credit rating:

RATING

Excellent Great

Very Good

Good

Fair

Poor Very Poor

Extremely Poor

DESCRIPTION

I have a long, established, positive credit history. FICO score 720 and above.

I use my credit wisely and never miss a payment. FICO score 690-719.

I have a positive credit history with no recent late payments. FICO score 670-689.

I am responsible with my credit and usually make my payments on time. FICO score 650-669.

I try to be responsible with my credit but have had some recent credit challenges. FICO score 630-649.

I have a number of issues with my credit. FICO score 610-629.

I have significant credit issues or have only very recently established credit. FICO score 580-609.

I have an extremely poor credit history or I have no credit history at all. FICO score 579 and below.

If you don't have a high credit score, don't give up just yet. The benefit to financing or leasing a Toyota through your dealer and Toyota Financial Services is that we understand that not everyone's credit history is perfect. We've designed specific programs for qualified applicants with little or no credit experience. Check out our finance and lease programs for more details. These programs are available through your Toyota dealer and TFS.

Credit history

When you apply to finance or lease a Toyota at the dealership, the dealer will take a look at your credit history. Your credit history is reflected in two important resources available to creditors, a Credit Report and Credit Score.

Credit report

Your credit report helps creditors decide if they want to extend credit to you. It includes:

- Personal information: Your name, current and previous addresses, Social Security number, date
 of birth, telephone number and current and previous employers.
- **Credit information:** Your creditors and account details such as date opened, account number, amount borrowed, payment terms, credit limits, account balances and payment history.
- Public records: Tax liens, bankruptcies and court-awarded judgments.
- Inquiries: A listing of all parties that have requested a copy of your credit report. This includes
 formal inquiries (a list of all creditors who have accessed your credit report), promotional
 inquiries (this is where all those pre-approved offers come from) and account management
 inquiries by your current creditors (they have the right to review your credit report periodically).
 Promotional and account management inquiries are not shown to other creditors but are shown
 to you and do not impact your credit score.



YOUR CREDIT

How is your credit report generated?

Each of the three major credit-reporting agencies (or credit bureaus) keeps a running tab on your credit history, based on the information it receives from creditors and public records, among other sources. When you apply for credit, creditors will request a copy of your report from one or more of these bureaus.

The contents of your credit report may be used to compute your Credit Score.

Credit score

Your credit score can be your best friend or your nemesis. Your goal is to maintain a good credit score, as these scores are used by creditors when they're deciding whether or not to extend credit to you.

The most commonly used credit scores generated by the credit bureaus are often referred to as "FICO scores", even though each of the three major credit bureaus has its own name for these scores. FICO stands for Fair Isaac and Company, the company that produces the software used by many credit bureaus to calculate your credit score. These scores range from 300-850, the higher, the better.

Over the years, this three-digit scoring system emerged as a way to compare how the information on your credit report compares with each bureau's credit history on hundreds of thousands of other consumers.

Basically, your credit score suggests to creditors how likely you are to repay your debt.

Because your credit score is such an important aspect of obtaining an extension of credit, multiple factors are used to compute your credit score:

- Past payment history: Have you paid your credit accounts on time?
- · Amounts owed: How much credit you have available vs. how much you owe
- Length of credit history: How long have you had your credit accounts?
- New credit and credit inquiries: Have you recently taken on more debt?
- Types of credit established: May include credit cards, home mortgages, and car loans

Not just one score

The truth is, there is no one score. Every bureau has its own scores for different purposes and each bureau uses its own method of calculating your credit score based on the criteria listed above.

Additionally, it's quite probable that at any given time, each credit bureau will report a different credit score for you. They all attempt to remain as current as possible, but the resulting score is only as accurate as the information that they have available. This is why you should check your credit scores from time to time

Creditors may use the scores they obtain from the bureaus in their own formulas to determine a credit score of their own. While we can't identify the factors used by every creditor in identifying your credit score, it's safe to assume that these formulas incorporate your credit bureau score as it fluctuates from time to time. Fluctuations can be used as a guide to understanding your financial behavior (how likely you are to repay a debt).



YOUR CREDIT

Always Changing

It's a tough job trying to keep track of everyone's credit. While the credit bureaus try to stay on top of your credit history, sometimes things are missed and the different bureaus may maintain different data of you. Therefore, your score from any given credit bureau is a reflection of the most recent information they have on you, so it's possible for your credit score to change by the day. Here's where you come in.

To remain in good credit standing, you must take a proactive approach to guard your credit history. We outline the various ways to do this in Credit Tips .



CREDIT TIPS

How is your credit report generated?

If you've looked through Credit ABC's and Your Credit you should have a basic understanding of what credit is, how it works, why you need it. The goal now is to help your credit remain in good standing. So here are our top four tips for maintaining good credit:

1. Paying your bill on time

Establish a process to make your payments well before the due date, so you can help avoid late fees and other possible charges. Also, make sure you have the money in your account - you can write a check or schedule an online payment, but if you don't have the cash, you won't be on time. Making payments on time is not only simple, it's one of the best things you can do for your credit score.

2. Be Proactive

There's a wealth of information out there on the Web and in the media that addresses issues that you may have with your credit and how to maintain good credit - use them! And be sure to periodically review your credit report for errors. If you issue a complaint, the bureau and your creditor must investigate it and correct or remove any information that isn't accurate.

Check your credit report at each of the three major credit bureaus:

Equifax 800-685-1111

Experian 888-EXPERIAN

TransUnion 800-888-4213

You can contact the agencies directly to get a copy of your credit report. Or you can also visit www.annualcreditreport.com to request your reports online.

3. Use Credit Wisely

Creating a budget (even a high-level one) will show you where your money is going - and this is powerful knowledge. Armed with this info, you'll find it's much easier to track outstanding debt and work toward paying it off.



CREDIT TIPS

4. Inform Your Creditors of an Address Change

Notify your creditors immediately when you move, so you can receive and pay bills on time.

Professional advice

Want more information on getting and keeping good credit? Check out these links:

Understanding Vehicle Financing - A handy tutorial on financing a vehicle put together by the not-for-profit agency AFSAEF.

American Financial Services Association Education Foundation - A not-for-profit financial institution that helps consumers become financially literate.

Once you understand credit, you're ready to elevate your knowledge about the differences between financing and leasing a Toyota. Our Buy or Lease? quiz can help you decide which is best for you.



DEALER VISIT

What to Expect at the Dealership

If you've never been to a dealership and you're not sure what to expect, or you're just looking for tips on speeding up the process, you've come to the right place.

The time it takes from selecting your Toyota to when you actually get the keys can seem like an eternity. But there are a couple things you can do before you head to the dealership that will help speed up the process:

- 1. Go to toyotafinancial.com.
- 2. Estimate your payments this gives you a general idea of what it takes to get into a Toyota. Remember, the dealer can help you determine what your Toyota will actually cost. (Tax, license, and title are not included in the online estimate).
- **3.** Check out the TFS financing and lease programs they're designed to help you get into a Toyota even if you have limited or no credit history. Ask your dealer about Retail and Lease plans, as well as the College Graduate program, iFinance, Used Vehicles and more.
- **4.** Check out TFS Vehicle Service Agreements and Guaranteed Auto Protection (GAP). One of them may work for you and your Toyota. Ask your dealer for the details.
- **5.** Fill out and submit our Online Credit Application get that piece of business taken care of before you get to the dealership. You can expect a response within one to three business days.

Remember, you can visit a Toyota dealership at any time and talk to the dealer about your finance and lease options. They are there to help you.

Once you're at the dealership, here's what to expect:

- **1.** A wide selection of Toyotas, including your dream car!
- 2. Once you've decided on your Toyota, tell the dealer. The dealer will help you determine color, trim, any accessories, and your finance or lease options, depending on which way you want to go.

 NOTE: Getting your Toyota is a big deal and some time should be spent on this experience expect to spend anywhere from two hours or more at the dealership, depending on what you want on and for your Toyota. It's worth it, isn't it?
- **3.** The financial services office this is where you and the dealer make the dream happen if your extension of credit is approved and you agree with the dealer on final terms and conditions, you finance or lease your Toyota. Congratulations!
- **4.** Remember the Vehicle Service Agreements and Guaranteed Auto Protection? Now's the time to ask your dealer about them
- .5. After all paperwork is complete and you've signed on the line, you're given the keys to your Toyota.
- .**6.** Enjoy!