

Presale:

# Toyota Lease Owner Trust 2024-A

February 14, 2024

## Preliminary ratings

Class	Preliminary rating	Type	Interest rate(i)	Preliminary amount (mil. \$)	Expected legal final maturity date
A-1	A-1+ (sf)	Senior	Fixed	150	Feb. 20, 2025
A-2a/A-2b(ii)	AAA (sf)	Senior	Fixed/floating	354	June 22, 2026
A-3	AAA (sf)	Senior	Fixed	330	April 20, 2027
A-4	AAA (sf)	Senior	Fixed	66	June 20, 2028

Note: This presale report is based on information as of Feb, 14, 2024. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. (i)The actual coupons of these tranches will be determined on the pricing date. (ii)At closing, the class A-2 notes may be split into a fixed-rate class A-2a and a floating-rate class A-2b. The sizes of these classes will be determined at pricing, although the principal balance of the class A-2b notes may not exceed 75.00% of the aggregate principal balance of the class A-2 notes. The class A-2b interest rate will be a floating rate indexed to SOFR plus a margin (to be determined).

## Profile

Expected closing date	Feb. 27, 2024.
Collateral	Prime auto lease receivables.
Sponsor, servicer, administrator, and UTI beneficiary	Toyota Motor Credit Corp. (A+/Stable/A-1+).
Titling trust	Toyota Lease Trust.
Titling trustee	TMTT Inc.
Depositor	Toyota Lease Capital LLC.
Indenture trustee	U.S. Bank N.A. (A+/Stable/A-1).
Owner trustee	Wilmington Trust N.A. (A-/Stable/A-2).
Trust agent	U.S. Bank N.A. (A+/Stable/A-1).
Bank account provider	U.S. Bank N.A. (A+/Stable/A-1).

UTI--Undivided trust interest.

## PRIMARY CREDIT ANALYST

**Amanda A Augustine**  
New York  
+ 1 (212) 438 1607  
amanda.augustine  
@spglobal.com

## SECONDARY CONTACT

**Jennie P Lam**  
New York  
+ 1 (212) 438 2524  
jennie.lam  
@spglobal.com

## RESEARCH CONTRIBUTOR

**Kapil Sharma**  
CRISIL Global Analytical Center, an  
S&P affiliate, Mumbai

## Rationale

The preliminary ratings assigned to Toyota Lease Owner Trust 2024-A's (TLOT 2024-A's) asset-backed notes reflect:

- The availability of approximately 21.9% credit enhancement, based on our stressed cash flow scenarios, in the form of 16.25% initial and target overcollateralization, a 0.25% nonamortizing reserve account, and excess spread (all percentages are expressed as a percentage of the pool's initial securitization value; see the Credit Enhancement And Collateral and the Cash Flow Modeling Assumptions And Results sections);
- Our expectation that under a moderate ('BBB') stress scenario (2.0x our expected loss level), all else being equal, our preliminary 'AAA (sf)' ratings on the class A notes are within our credit stability limits (see the Cash Flow Modeling Assumptions and Results section);
- The timely payment of interest and principal by the designated legal final maturity dates under our stressed cash flow modeling scenarios, which we believe are appropriate for the assigned preliminary ratings;
- The credit quality and residual-value characteristics of the securitized pool of prime auto lease receivables, together with our view of the credit risk and residual value risk of the collateral pool and our updated macroeconomic forecast and forward-looking view of the auto finance sector (see the Credit Enhancement And Collateral and the Macroeconomic And Auto Finance Sector Outlook sections);
- The historical credit performance and residual value realization of relevant previous transactions by the same originator;
- Automotive Lease Guide's (ALG's) forecast of each vehicle's residual value at lease inception and the current residuals for the pool;
- The series' bank accounts at U.S. Bank N.A., which do not constrain the preliminary ratings;
- Our operational risk assessment of Toyota Motor Credit Corp. (TMCC) as an originator, servicer, and administrator, along with our view of the company's experience and track record in underwriting, servicing, residual setting, and remarketing;
- Our assessment of the transaction's potential exposure to environmental, social, and governance (ESG) credit factors, which are in line with our sector benchmark; and
- The transaction's payment and legal structures.

Our expected net credit loss for TLOT 2024-A is 0.65% of the securitization value, which reflects the performance of the outstanding TLOT transactions, our view of the collateral pool's characteristics, our static pool loss projections for TMCC's lease originations, and our macroeconomic outlook, among other factors. Our 'AAA' stress scenario for credit loss is 3.25% of the securitization value.

Our 'AAA' residual stress for the TLOT 2024-A pool is approximately 28.10% of the pool's aggregate undiscounted base residual value, or 17.89% of the initial securitization value. In deriving our residual stress, we compared the base residual values by model with historical residual retention values, which the issuer provided. We also considered the pool's residual maturity profile, the vehicle model concentration, the vehicle segment concentration, the consistency of ALG's residual forecasts relative to historical retention values of Toyota and Lexus vehicles, ALG's current forecast for the residual values of the vehicles included in the TLOT 2024-A pool, a comparison of

our overall residual value stress to peers, and our economic and industry outlooks (see the S&P Global Ratings' Stressed Losses section).

Our overall stressed 'AAA' credit and residual loss level is approximately 21.14% of the securitization value. The credit enhancement outlined above (and in the Cash Flow Modeling Assumptions And Results section) provides adequate support for the assigned preliminary ratings.

## Environmental, Social, And Governance

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

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

## Credit Enhancement And Collateral

### Structural changes from TLOT 2023-B and 2023-A

Notable changes to credit enhancement compared to TLOT 2023-B, which S&P Global Ratings did not rate, and 2023-A include that:

- The 2024-A structure includes a potential floating-rate A-2b tranche indexed to 30-day compounded SOFR plus a margin, similar to 2023-B, whereas the 2023-A notes were all fixed-rate,
- The discount rate decreased to 10.50% from 10.80% for 2023-B and 10.85% for 2023-A, and
- The pre-pricing estimated annual excess spread decreased slightly to 4.02% from 4.20% for 2023-A.

Table 1 shows the credit enhancement changes from recent transactions.

Table 1

### Credit enhancement summary(i)

	TLOT				
	2024-A	2023-B(ii)	2023-A	2022-A	2021-A
<b>Overcollateralization (%)</b>					
Initial	16.25	16.25	16.25	16.25	16.25
Target	16.25	16.25	16.25	16.25	16.25

Table 1

### Credit enhancement summary(i) (cont.)

	TLOT				
	2024-A	2023-B(ii)	2023-A	2022-A	2021-A
<b>Reserve account (%)</b>					
Initial	0.25	0.25	0.25	0.25	0.25
Target	0.25	0.25	0.25	0.25	0.25
Total initial hard credit enhancement (%)	16.50	16.50	16.50	16.50	16.50
Total target hard credit enhancement (%)	16.50	16.50	16.50	16.50	16.50
Estimated excess spread per year (%) (iii)	4.02	4.08	4.20	4.12	4.36
Discount rate (%)	10.50	10.80	10.85	7.00	6.00
Initial aggregate securitization value (\$)	1,074,634,549	1,194,054,921	1,432,914,189	1,301,865,324	1,492,537,314
Total securities issued (\$)	900,000,000	1,000,000,000	1,200,000,000	1,090,300,000	1,250,000,000

(i) All percentages are based on the initial aggregate securitization value. (ii) Not rated by S&P Global Ratings. (iii) Estimated excess spread before pricing. TLOT--Toyota Lease Owner Trust.

### Collateral changes from TLOT 2023-B

- The base residual value as a percentage of securitization value decreased to 68.09% from 71.52%, and
- The weighted average seasoning increased to 10.96 months from 9.25.

### Collateral changes from TLOT 2023-A

- The base residual value as a percentage of securitization value decreased to 68.09% from 72.57%,
- The average base residual value increased to \$22,082 from \$21,718,
- The percentage of leases with original terms of 43-48 months increased to 7.81% from 6.28%, and
- The percentage of leases with remaining terms over 37 months increased to 5.72% from 3.53%.

Table 2

### Collateral comparison

	TLOT				
	2024-A	2023-B(i)	2023-A	2022-A	2021-A
Pool cutoff date	Dec. 31, 2023	Sept. 19, 2023	Feb. 28, 2023	Dec. 31, 2021	Feb. 28, 2021
No. of leases	33,135	37,154	47,881	42,773	51,807

Table 2

**Collateral comparison (cont.)**

	TLOT				
	2024-A	2023-B(i)	2023-A	2022-A	2021-A
Aggregate securitization value (\$)	1,074,634,549	1,194,054,921	1,432,914,189	1,301,865,324	1,492,537,314
Avg. securitization value (\$)	32,432	32,138	29,927	30,437	28,810
New vehicles (%)	100	100	100	100	100
<b>Top five vehicle series (% of securitization value)</b>					
	RAV4=14.25	RX=17.45	RX=15.13	RX=16.83	RAV4=17.21
	RX=12.83	RAV4=11.37	RAV4=13.85	RAV4=12.02	RX=17.10
	Highlander=9.61	NX=10.10	Highlander=11.87	NX=11.31	NX=9.97
	Corolla=7.78	Highlander=9.74	Camry=7.44	Highlander=9.45	ES=9.35
	NX=7.60	Tacoma=9.21	Corolla=7.40	ES=8.98	Camry=7.61
Total	52.07	57.87	55.68	58.59	61.24
<b>Vehicle type (% of securitization value)</b>					
Car	26.54	21.57	25.37	29.48	31.06
CUV/SUV(ii)	61.91	63.58	64.45	64.42	64.15
WA original no. of monthly payments	36.89	37.58	36.93	38.36	38.18
WA remaining no. of monthly payments	25.94	28.33	26.82	27.63	28.38
WA seasoning	10.96	9.25	10.11	10.72	9.80
<b>Original lease term (% of securitization value)</b>					
Less than or equal to 36 mos.	82.40	65.16	74.85	76.61	73.42
37-42 months	9.79	27.16	18.87	4.12	10.22
43-48 months	7.81	7.67	6.28	19.27	16.35
WA FICO score	771	771	772	772	773
<b>Top four state concentrations (% of securitization value)</b>					
	CA=18.54	CA=18.77	CA=19.40	CA=19.96	CA=19.30
	TX=13.49	NY=11.82	NY=13.56	NY=11.26	NY=11.68
	NY=11.32	TX=10.54	TX=8.95	FL=10.62	FL=8.81
	FL=7.42	FL=9.90	FL=8.27	TX=7.77	NJ=8.08
Base residual value (\$)	731,670,642	853,944,137	1,039,869,534	893,980,937	1,006,870,110
Avg. base residual value (\$)	22,082	22,984	21,718	20,901	19,435
Base residual (% of the aggregate securitization value)	68.09	71.52	72.57	68.67	67.46

(i) Not rated by S&P Global Ratings. (ii) This includes the Toyota Sienna, a minivan. TLOT--Toyota Lease Owner Trust. CUV--Crossover utility vehicle. WA--Weighted average.

The TLOT 2024-A pool consists of 33,135 prime auto lease receivables. The pool has a minimum FICO score of 620 and a weighted average FICO score of 771. Approximately 45.52% of the obligors in the securitized pool have FICO scores of 780 and higher. Leases with original terms of 36 months or less comprise approximately 82.40% of the pool, based on initial aggregate securitization value, and none of the leases have original term greater than 48 months. The pool has approximately 11 months of seasoning. Toyota and Lexus vehicle models comprise 60.61% and 39.39% of the pool by securitization value, respectively (see table 2).

Approximately 3.34% of the pool by securitization value consist of plug-in hybrid electric vehicles, and none of the vehicles in the pool are battery electric vehicles or powered by a hydrogen fuel cell.

The TLOT 2024-A pool is similar to those of TLOT 2023-A and 2023-B and stronger than prior TLOT pools, in our view, due to the lower concentration of leases with original term over 42 months and lower concentration of Lexus vehicles, which tend to have higher losses, according to our projections.

As of the cutoff date, none of the leases in the collateral pool were described in the servicer's records as having been granted an extension or deferral.

## **Macroeconomic And Auto Finance Sector Outlook**

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

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

Other reasons for caution include that:

- Consumers are showing signs of strain due to increased debt loads, and, according to the Federal Reserve Bank of New York/Equifax credit data, the ratio for seriously delinquent auto loans is already at its highest level outside of recessionary periods (driven primarily by the subprime segment, which is about one-seventh of the total outstanding auto loan balances); and
- Student loan payments have resumed, which will put upward pressure on debt service ratios and could negatively affect consumer spending.

It is estimated that 24 million borrowers whose student loan payments were suspended at the onset of the pandemic resumed payments in October 2023, with an average payment of approximately \$300 per month. According to TransUnion, approximately one-third of those consumers with student loan debt have taken on new auto loan debt during the pandemic. The added student debt payment will be burdensome for those consumers who are financially stressed, which could negatively affect auto loan ABS performance. We believe, based on past economic cycles, that consumers for whom the vehicle is essential for work will continue to prioritize their auto loan/lease payments before their other consumer and student loan payments.

Weaker economic growth will cause demand for labor to decrease further and the unemployment

rate to rise in the next two years--to 4.6% in 2025 from 3.9% in October 2023 (see "Credit Conditions North America Q1 2024: A Cluster Of Stresses," published Nov. 28, 2023). We're seeing unemployment benefit claims continue to rise above the 2019 average, suggesting it has become more difficult to find jobs for people when they're laid off, and employment in the temporary help services sector was down over 6% year over year as of December 2023, which has been a harbinger of a recession in the past.

Table 3

## U.S. economic factors

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

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, and S&P Global Ratings Economics' forecasts as of November 2023.

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

## S&P Global Ratings' Stressed Losses

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

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

## Managed portfolio

TMCC's total U.S. portfolio of retail lease contracts comprised 710,079 contracts totaling approximately \$23.2 billion as of Dec. 31 2023, representing a year-over-year decline (see table 4). Total delinquencies increased to 1.99% as of Dec. 31, 2023, from 1.63% a year earlier. Toyota attributed increasing delinquencies to the overall rise in the monthly payments due to higher vehicle prices and increased borrowing costs.

Repossessions increased year over year to 0.40% as of Dec. 31, 2023, from 0.24% a year earlier

but were lower compared to prior periods.

For the nine months ended Dec. 31, 2023, TMCC experienced net credit losses of 0.06% of the average balance of lease contracts outstanding, compared to net credit losses of 0.04% a year earlier. However, losses remain well below pre-pandemic levels.

Toyota's securitizations generally consist of higher-quality loans than those of the overall managed portfolio. The TLOT securitizations are characterized by a minimum FICO score of 620 and exclude any loans with an original term greater than 48 months.

Table 4

## Total managed portfolio

	Nine months ended Dec. 31		Fiscal year ended March 31				
	2023	2022	2023	2022	2021	2020	2019
Lease contracts outstanding (mil. \$)	23,211.52	26,566.61	25,245.33	32,383.47	37,225.69	39,532.93	41,228.18
Avg. dollar amount of leases outstanding (mil. \$)	23,971.41	28,978.05	28,145.16	35,446.72	37,593.54	40,586.88	41,961.87
No. of contracts outstanding	710,079	847,595	813,606	1,057,438	1,248,110	1,362,756	1,441,680
30-plus-day delinquencies (%) <sup>(i)</sup>	1.99	1.63	1.41	0.99	0.73	1.26	1.01
Repossessions (%) <sup>(ii)</sup>	0.40	0.24	0.26	0.23	0.35	0.57	0.78
Net losses/(gains) (%) <sup>(iii)</sup>	0.06	0.04	0.07	(0.04)	0.13	0.14	0.21

<sup>(i)</sup>As a percent of the number of contracts outstanding. <sup>(ii)</sup>As a percent of the average number of lease contracts outstanding. Annualized.

<sup>(iii)</sup>As a percent of the average dollar amount of leases outstanding. Annualized.

TMCC provided the residual value performance data for the past five calendar years for its total managed, Toyota, and Lexus portfolios (see table 5). The historical vehicle return rates listed in table 5 exclude lessee purchases, grounding dealer purchases, repossessions, and credit events. The data also reflect all lease contracts purchased by TMCC or the titling trust with FICO scores of at least 620 and original terms between 24 and 48 months, excluding full battery electric and hydrogen fuel cell vehicles. Since 2018, TMCC has experienced gains on ALG residuals on returned vehicles. Residual gains and losses are net of remarketing expenses, and excess wear-and-tear and excess mileage collections.

Table 5

## Residual value performance experience

	Year ended Dec. 31				
	2023	2022	2021	2020	2019
<b>TMCC</b>					
Vehicles returned to TMCC (%) <sup>(i)</sup>	2.0	2.3	10.7	38.8	53.2
Total gain/(loss) on ALG residuals on vehicles returned to TMCC (%) <sup>(ii)</sup>	15.96	16.90	17.60	8.47	8.08
<b>Vehicle model--Lexus</b>					
Vehicles returned to TMCC (%) <sup>(i)</sup>	1.7	1.7	17.2	54.8	71.2



Table 5

**Residual value performance experience (cont.)**

	Year ended Dec. 31				
	2023	2022	2021	2020	2019
Total gain/(loss) on ALG residuals on vehicles returned to TMCC (%) (ii)	15.31	17.10	19.07	9.03	5.12
<b>Vehicle model--Toyota</b>					
Vehicles returned to TMCC (%) (i)	2.2	2.6	7.8	31.4	44.9
Total gain/(loss) on ALG residuals on vehicles returned to TMCC (%) (ii)	16.41	16.79	15.57	7.79	11.60

(i) Percentage of the number of vehicles terminated. (ii) Percentage of the ALG residual value of returned vehicles sold by TMCC. TMCC--Toyota Motor Credit Corp. ALG--Automotive Lease Guide.

**Origination static pool performance**

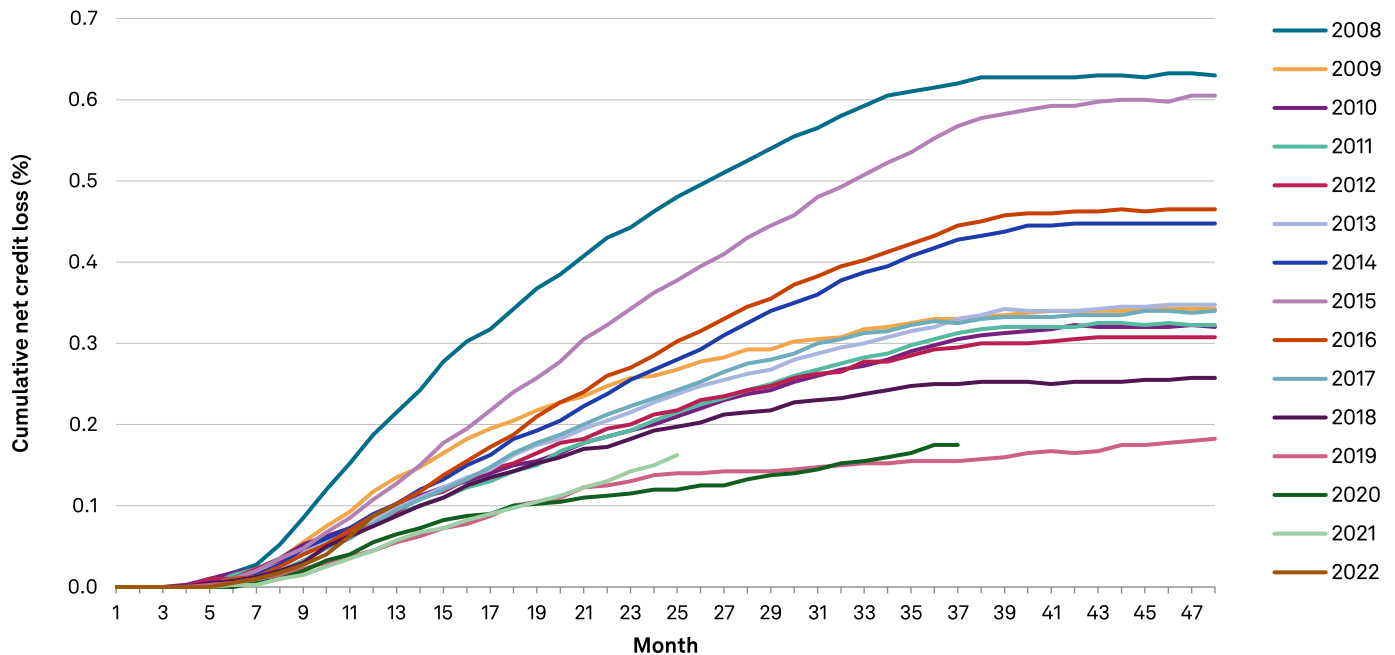
TMCC has originated and serviced auto leases through multiple economic cycles. Its TLOT-eligible origination static pool performance since 2008 to the present exhibit low cumulative net credit losses and are generally comparable to other prime lease ABS issuers. Although the 2008 and 2015 annual vintages are the weakest of the vintages issued since 2008, they have only incurred lifetime cumulative net credit losses of approximately 62 and 60 basis points (bps), respectively. The TLOT 2024-A collateral pool does not include any 2015 originations, and the more recent originations since 2018 have had net credit losses below 50 bps (see chart 1).

For TLOT 2024-A, TMCC provided static pool monthly net loss performance on its quarterly vintages, segmented in three dimensions (original term, vehicle make, and FICO score band). With this performance information, we projected lifetime cumulative net credit losses on the outstanding quarterly vintages that have at least 12 months of performance data. The cumulative net credit loss projections for those quarterly vintages were weighted against the vintage origination volume.

Chart 1

### TMCC auto lease origination static pool performance

Annual vintage cumulative net credit loss



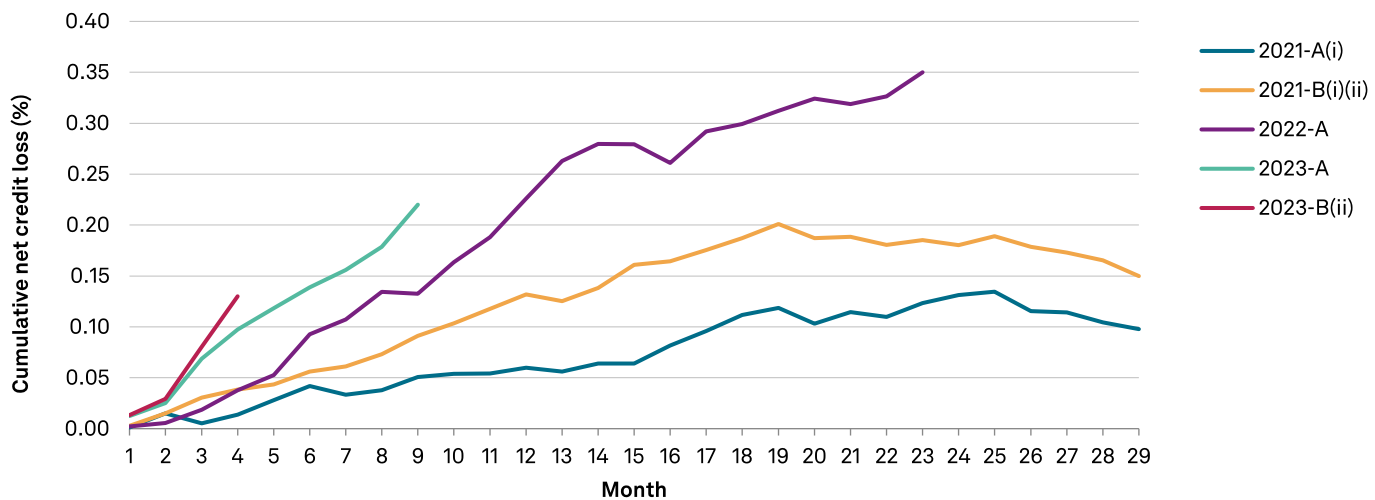
Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

### Securitization performance

We currently maintain ratings on two outstanding TLOT transactions: series 2022-A and 2023-A (see charts 2-3 and table 6). On March 9, 2023, we maintained our lifetime net credit loss expectation for TLOT 2021-A at 0.50% and raised it for TLOT 2022-A to 0.75% from 0.50%. We also affirmed our 'AAA' ratings on five classes from the two transactions (see "Five Ratings Affirmed From Two Toyota Lease Owner Trust Transactions"). Each transaction remains adequately enhanced, and we will continue to monitor their performance to determine if the assigned ratings are sufficient and take rating actions as we deem necessary.

Chart 2

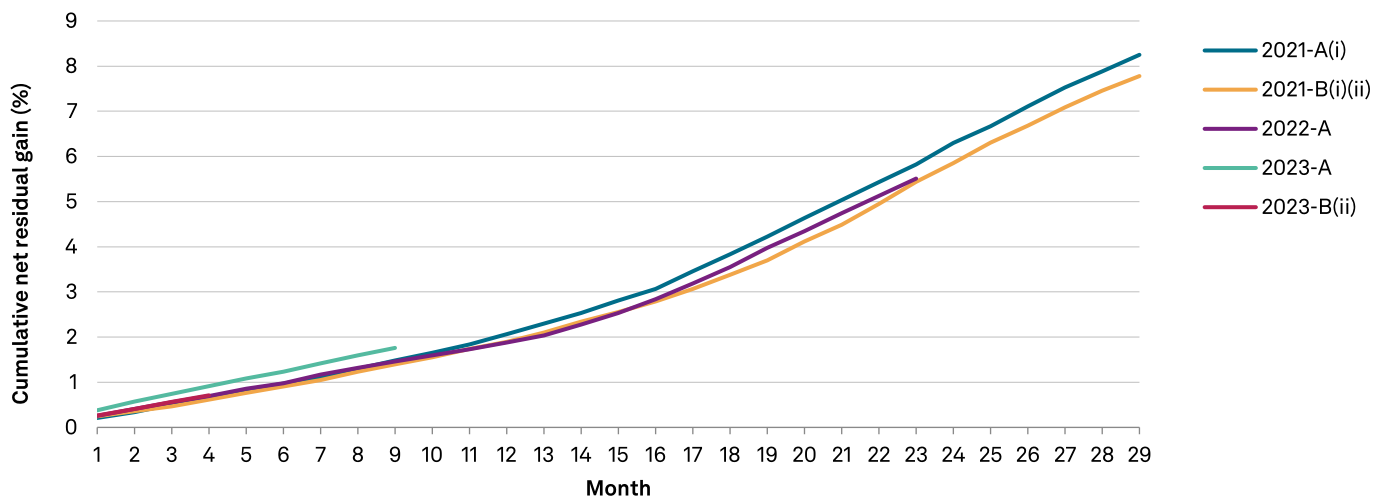
TLOT securitization cumulative net credit loss performance



(i)Paid off. (ii)Not rated by S&P Global Ratings.  
Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Chart 3

TLOT securitization cumulative net residual gain performance



(i)Paid off. (ii)Not rated by S&P Global Ratings.  
Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Table 6

**Performance data for outstanding Toyota Lease Owner Trust transactions(i)**

Transaction/series	Month	Pool factor (%)	Credit CNL(%)	Cumulative net residual gains/(losses) (% of aggregate initial securitization value)	Initial expected lifetime credit CNL (%)	Revised expected lifetime credit CNL (%) (ii)
2022-A	23	39.11	0.35	5.51	0.50	0.75
2023-A	9	81.07	0.22	1.76	0.65	N/A
2023-B(iii)	4	91.27	0.13	0.71	N/A	N/A

(i)As of the January 2024 distribution date. (ii)Revised in March 2023.(iii)Not rated by S&P Global Ratings. CNL--Cumulative net loss. N/A—Not applicable.

**Series 2024-A credit loss**

The obligor's credit profile determines the credit risk. Credit losses represent only a small portion of the total risk, given that the base residual represents approximately 68.09% of the securitization value. To derive the series 2024-A transaction's base-case net credit loss, we used static pool credit loss data provided by TMCC to project losses on its portfolio of lease originations, segmented by original term, vehicle make, and FICO score band. We then weighted the projections by the actual concentration of those various segments in the TLOT 2024-A pool. We also compared TMCC's origination static pool performance data with other auto lease ABS issuers' performance data. In addition, we considered the performance of outstanding TLOT securitizations, the TLOT 2024-A pool's collateral credit quality, TMCC's overall managed portfolio performance, and our forward-looking view of the economy. Based on this information, we expect cumulative net credit losses of 0.65% of the TLOT 2024-A pool's securitization value, unchanged from series 2023-A.

**Series 2024-A residual loss**

We assessed residual risk on the TLOT 2024-A pool according to our auto lease criteria, "Global Auto ABS Methodology And Assumptions," published March 31, 2022.

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

- The stability of the historical used-vehicle values of TMCC's vehicles;
- The consistency of ALG's historical forecasts relative to the actual historical used-vehicle values;
- The basis behind ALG's current forecast;
- The basis for the differences between the actual values and the forecasts;
- The top nine vehicle series in the pool by base residual value (RAV4, RX, Highlander, NX, Tacoma, Corolla, ES, Camry, and Tundra), which account for approximately 79% of the pool's initial aggregate base residual value;
- TMCC's near-term plans, if any, to discontinue or update the vehicle series in question;
- Brand perception; and
- Our macroeconomic outlook.

Based on these factors, we did not adjust the base residual value.

Base haircut

According to our auto lease criteria, we first applied an initial 26.00% rating-specific haircut to the TLOT 2024-A pool's base residual value. This is commensurate with a 'AAA' rating scenario.

Excess concentration haircut

In addition to the base haircut, we applied a haircut to the amount of nondefaulted lease residuals exceeding the concentration limits applicable to the benchmark pool (excess concentrations), as outlined in our auto lease criteria. The haircut to excess concentrations commensurate with a 'AAA' rating scenario is 13.00%.

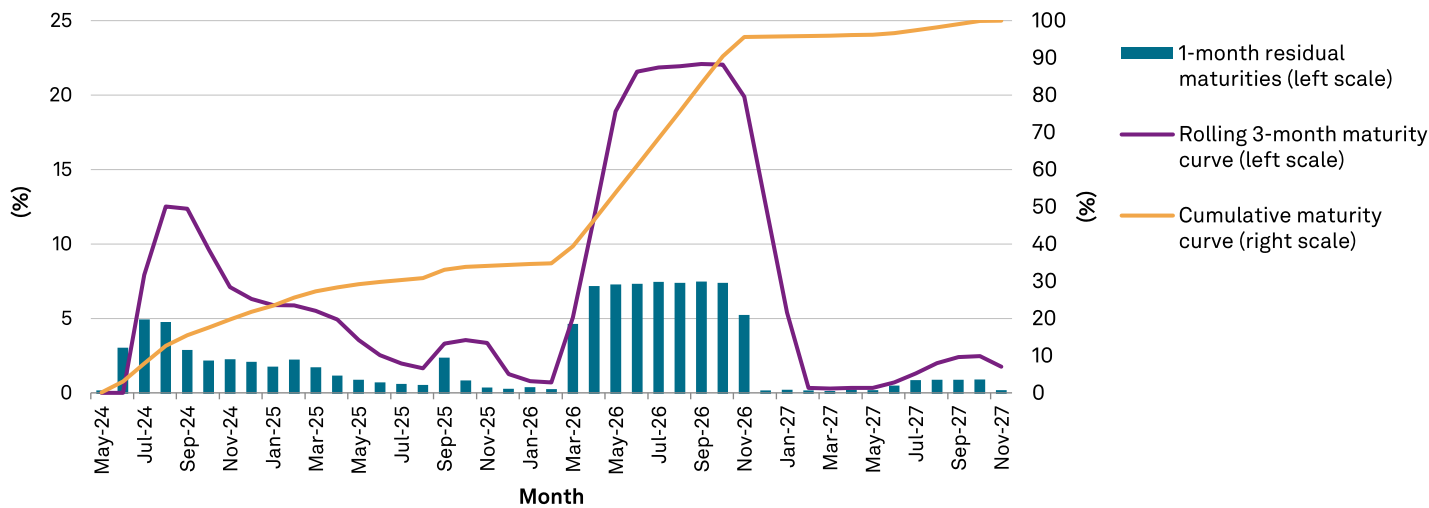
Based on our calculations, the TLOT 2024-A pool has a total excess concentration of 16.16% due to the pool's residual maturity distribution. No individual model exceeds 20.00% of the pool by base residual, and none of the other benchmark thresholds were breached, given the diversity of vehicles in the pool.

The total excess concentration is multiplied by the 13.00% haircut to arrive at the additional haircut percentage. This resulted in additional haircuts to the base residual value of approximately 2.10% under our 'AAA' rating scenario.

The TLOT 2024-A pool's initial lease maturities begin in May 2024, with leases maturing each month until November 2027 (see chart 4). There are eight months where the expected base residual maturity level exceeds our 5.00% benchmark concentration limit. The highest monthly maturity, 7.40%, is expected to occur in September 2026.

Chart 4

Lease maturity profile



Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Speculative-grade manufacturer haircut

When determining the stress that applies to the adjusted base residual value, we look at the auto manufacturer's creditworthiness. Our auto lease criteria apply haircuts to the base residual value of the vehicles produced by manufacturers with speculative-grade issuer credit ratings (i.e., 'BB+').

or lower).

Toyota Motor Co. is the manufacturer of the leased vehicles backing the TLOT 2024-A pool. The current long-term issuer credit rating on Toyota Motor Co. is 'A+', and the short-term rating is 'A-1+'. (see "Toyota Motor Corp.," published April 3, 2023). Based on our issuer credit rating on Toyota, it is not necessary to apply a speculative-grade manufacturer haircut to the TLOT 2024-A transaction under our current auto lease criteria.

Low diversification haircut

For pools with low diversification, residual-value haircuts are typically further adjusted by adding an additional component generally equal to 50% of the excess concentration haircut. This additional haircut usually applies to lease pools that have:

- More than 20% of the residuals matures in any one month;
- More than 50% of the residuals matures in any three months;
- Three or fewer individual models;
- More than 75% of large/full-size ICE SUVs, trucks, and vans;
- More than 75% of small/compact ICE cars (including hybrids);
- More than 20% of new models; or
- More than 20% of discontinued models.

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

Total stressed residual losses

After analyzing the TLOT 2024-A lease pool, applying the relevant residual value haircuts, and assessing a stressed return rate of 100.00%, which represents the loss frequency on non-defaulted leased vehicles (93.50%), our stressed residual loss under a 'AAA' scenario is approximately 28.10% of the undiscounted base residual value, or 17.89% of the securitization value (see table 7).

Table 7

Stressed residual loss

Scenario (preliminary rating)	AAA (sf)
Residual haircut (% of undiscounted base residual)	26.00
Additional excess concentration haircut (%)	2.10
Total residual haircut (% of base residual value)	28.10
Total residual haircut (% of securitization value)	17.89

Legal Overview and Transaction Structure

Legal overview

The leased vehicles are titled in the name of the titling trust (Toyota Lease Trust). The titling trust has issued an undivided trust interest (UTI) to the UTI beneficiary (TMCC), which will direct the

Chart 5

```

graph TD
    Dealers[Dealers] -- "Leases and leased vehicles" --> TLT[Toyota Lease Trust  
(Titling trust)]
    TLT -- "Payment" --> Dealers
    TLT -- "Servicing of leases" --> TMC[Toyota Motor Credit Corp.  
(Servicer)]
    TMC -- "UTI and 2023-A SUBI certificate" --> TLT
    TMC -- "2023-A SUBI certificate" --> TLLC[Toyota Lease Capital LLC  
(Depositor)]
    TLLC -- "Offered notes" --> TMC
    TLLC -- "$" --> TMC
    TLLC -- "2023-A SUBI certificate" --> TLOT[Toyota Lease Owner Trust 2024-A  
(Issuer)]
    TLOT -- "Notes and certificate" --> TLLC
    TLOT -- "Pledge of trust assets" --> USBN1[U.S. Bank N.A.  
(Indenture trustee)]
    TLOT --- WTN[Wilmington Trust N.A.  
(Owner trustee)]
    TLT --- TMTI[TMTT Inc.  
(Titling trustee)]
    TLT --- USBN2[U.S. Bank N.A.  
(Trust agent)]
    TMC -- "Offered notes" --> IP[Initial purchasers]
    IP -- "$" --> TMC
    Investors[Investors] -- "Offered notes" --> IP
    IP -- "$" --> Investors
  
```

The diagram illustrates the Toyota Lease Trust 2024-A structure, showing the flow of vehicles, payments, servicing, certificates, notes, and assets between various entities:

- Dealers** provide **Leases and leased vehicles** to the **Toyota Lease Trust (Titling trust)** and receive **Payment** from it.
- The **Toyota Lease Trust (Titling trust)** is managed by **TMTT Inc. (Titling trustee)** and **U.S. Bank N.A. (Trust agent)**. It provides **Servicing of leases** to **Toyota Motor Credit Corp. (Servicer)**.
- Toyota Motor Credit Corp. (Servicer and UTI beneficiary)** provides **UTI and 2023-A SUBI certificate** to the **Toyota Lease Trust (Titling trust)** and **2023-A SUBI certificate** to **Toyota Lease Capital LLC (Depositor)**.
- Toyota Lease Capital LLC (Depositor)** provides **Offered notes** and **\$** to **Toyota Motor Credit Corp. (Servicer and UTI beneficiary)** and **2023-A SUBI certificate** to **Toyota Lease Owner Trust 2024-A (Issuer)**.
- Toyota Lease Owner Trust 2024-A (Issuer)** provides **Notes and certificate** to **Toyota Lease Capital LLC (Depositor)** and **Pledge of trust assets** to **U.S. Bank N.A. (Indenture trustee)**. It is also managed by **Wilmington Trust N.A. (Owner trustee)**.
- U.S. Bank N.A. (Indenture trustee)** is associated with the **Toyota Lease Owner Trust 2024-A (Issuer)**.
- Investors** provide **Offered notes** to **Initial purchasers**, who then provide **\$** to **Toyota Motor Credit Corp. (Servicer and UTI beneficiary)**.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

[www.standardandpoors.com](http://www.standardandpoors.com)

company's history of keeping the plan funded at the appropriate levels. We understand that TMCC currently does not have any material unfunded liabilities with respect to its defined benefit pension plans.

In rating this transaction, S&P Global Ratings will review the legal matters it believes are relevant to its analysis, as outlined in its criteria.

Transaction structure

TLOT 2024-A is TMCC's first auto lease securitization in 2024 and the sixth series on the TLOT platform. The receivables backing the TLOT 2024-A collateral pool will consist of the monthly lease payments and base residual values of a pool of lease contracts originated by Toyota and Lexus dealers. The leased vehicles will consist of Toyota- and Lexus-brand passenger cars, crossover utility vehicles (CUVs), SUVs, and light-duty trucks. The transaction includes a nonamortizing reserve account and overcollateralization that is expected to remain at the specified target level for the transaction's life. The reserve account will be at least 0.25% of the total securitization value as of the cutoff date, and overcollateralization will be approximately 16.25% of the total securitization value. The issuing trust will issue four class A notes. Note principal will be paid sequentially.

Payment Priority

On each payment date before the notes have been accelerated following an event of default, the indenture trustee will make distributions from available funds according to the payment priority shown in table 8. Principal on the notes will be paid sequentially.

Table 8

Payment waterfall

Priority	Payment
1	To the servicer, the servicing fee (1.00%), including any overdue fees.
2	To the indenture trustee and owner trustee, pro rata, any fees, expenses, and indemnification amounts due, capped at \$300,000 per year.
3	To the noteholders, interest on the notes, pro rata.
4	To the noteholders, the priority principal distribution amount equal to the excess, if any, of the notes' outstanding amount over the securitization value.
5	To the reserve account, the amount necessary to cause the funds on deposit in the reserve account to equal the specified reserve amount.
6	To the noteholders, the regular principal distribution amount sequentially(i).
7	To the indenture trustee and owner trustee, any fees, expenses, and indemnification amounts due and not paid in item 2 above, pro rata.
8	To the certificateholders, any remaining amounts.

(i)The regular principal distribution amount is designed to maintain target overcollateralization of 16.25% of the initial securitization value. All of the required payments on the notes will be due and payable on each payment date (the 20th of each month or, if not a business day, the next business day) beginning March 20, 2024.

On each payment date after the notes have been accelerated following an event of default, the indenture trustee will distribute the available funds according to the payment priority shown in table 9.



Table 9

Event of default payment waterfall(i)

Priority	Payment
1	To the servicer, the servicing fee (1.00%), including any overdue servicing fees.
2	To the indenture trustee and owner trustee, any fees, expenses, and indemnification amounts due and not paid, pro rata.
3	To the noteholders, interest on the notes, pro rata.
4	To the class A-1 noteholders, principal until the class A-1 notes are paid in full.
5	To the class A-2, A-3, and A-4 noteholders, principal, pro rata, until all classes of notes are paid in full.
6	To the certificateholders, any remaining amounts.

(i)If the notes are accelerated following an event of default.

According to the indenture, TLOT 2024-A's events of default include:

- The nonpayment of note interest on any class of notes when the interest becomes due and payable,
- The nonpayment of note principal of any class of notes on the respective legal final maturity dates,
- A default in observance or performance of a covenant or agreement in the indenture,
- A material and adverse breach of the representations or warranties, and
- The issuing entity's bankruptcy or insolvency.

Cash Flow Modeling Assumptions and Results

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

Breakeven analysis

We modeled the transaction to simulate a stress scenario commensurate with the assigned preliminary ratings. We assumed a 100.00% turn-in rate on the nondefaulting leases (approximately 93.50%) and no prepayments. The results show that the preliminary rated notes are enhanced to the degree necessary to withstand a level of stressed credit and residual losses that is consistent with the assigned preliminary ratings. The preliminary 'AAA (sf)' rated notes can withstand a cumulative net credit loss of 3.25% of the securitization value (or approximately 5x our expected loss range) and residual losses of 17.89% of the securitization value (see table 10).

Table 10

Cash flow assumptions and results

TLOT 2024-A	
Class	A

Table 10

**Cash flow assumptions and results (cont.)**

	<b>TLOT 2024-A</b>
Scenario (preliminary rating)	AAA (sf)
Cumulative net loss (%)	0.65
Cumulative net loss timing (mos.)	12/24/36
Cumulative net loss timing (%)	40/80/100
Voluntary prepayments (%)	0.00
Recoveries (%)	50.00
Recovery lag (mos.)	4
<b>Residual haircut</b>	
Total residual haircut (% of the MSRP)	14.25
Total residual haircut (% of the securitization value)	17.89
Total residual haircut (% of the undiscounted base residual value)	28.10
Vehicle return rate (%)	100.00
Residual realization lag (mos.)	2
<b>Result (% of the securitization value)</b>	
S&P Global Ratings' stressed credit and residual loss	21.14
Approximate credit enhancement in the transaction based on S&P Global Ratings' credit stress and break-even residual stress	21.92

MSRP--Manufacturer's suggested retail price.

The class A-2 notes will consist of two tranches: the class A-2a fixed-rate notes and the class A-2b floating-rate notes. TMCC intends to use the SOFR benchmark for the class A-2b notes, which may constitute up to 75.00% of the class A-2 notes. The class A-2b notes will be indexed to SOFR plus a spread, and the coupons will initially be based on compounded SOFR (a 30-day average SOFR obtained by the paying agent using the published rate on the Federal Reserve Bank of New York's website).

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

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

**Sensitivity analysis**

In addition to running stressed cash flows to analyze the amount of credit and residual losses the TLOT 2024-A transaction can withstand, we ran a sensitivity analysis to determine how a moderate stress ('BBB') scenario, all else being equal, could affect the ratings on the notes.

In our view, the assigned preliminary ratings on the class A notes are consistent with the credit stability limits specified in section A.4 of the Appendix in "S&P Global Ratings Definitions," published June 9, 2023 (see table 11 and chart 6). This indicates that we would not assign 'AAA' ratings if, under moderate stress conditions, the ratings would be lowered by more than one

category within the first year.

Table 11

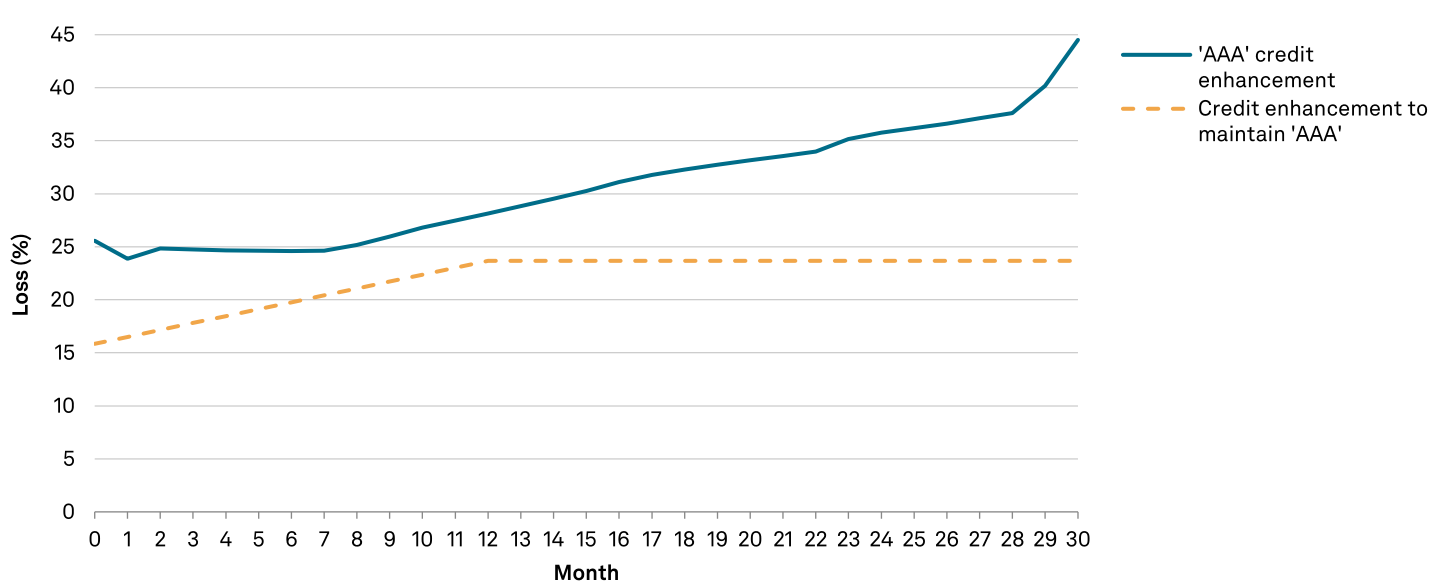
Credit stability as a limiting factor on ratings

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

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

Chart 6

TLOT 2024-A sensitivity analysis



Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

Money market tranche sizing

The proposed money market tranche (class A-1) has a 12-month legal final maturity date (Feb. 20, 2025). To test whether the money market tranche can be repaid by month 12, we ran cash flows using assumptions to delay the principal collections during the 12-month period. In our cash flow run, we assumed zero defaults and a zero absolute prepayment speed on all leases. We also stressed the recognition of the monthly lease payments and base residual amounts by applying a lag of one and two months, respectively. Based on our cash flow runs, approximately eight months of collections would be sufficient to pay off the money market tranche.

## Legal final maturity

To test the legal final maturity dates set for the longer-dated intermediate tranches (classes A-2 and A-3), we determined the date that the respective notes were fully amortized in a zero-loss, zero-prepayment scenario and then added six months to the result. We also looked to see when these notes were paid off in our 'AAA' stressed cash flow scenarios.

For the longest-dated security, class A-4, TMCC added at least six months to the distribution date following the maturity month of the latest-maturing receivable in the pool to accommodate extensions and residual realization on the receivables. Based on our auto lease criteria, we typically add six to nine months to the longest lease maturity. In each of our cash flow scenarios, we confirmed there is sufficient credit enhancement to both cover losses and repay the related notes in full by their legal final maturity date.

## Counterparty And Operational Risks

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

As servicer, TMCC has an experienced management team that oversees origination, underwriting, servicing, collections, and general operational practices and satisfies our requirements for commingling risk. If TMCC were to no longer satisfy our commingling requirement, collections would be required to be deposited into the series collections account within two business days of collection. Our operational risk assessment of TMCC as servicer does not constrain the ratings (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published Oct. 9, 2014).

## TMCC

TMCC (A+/Stable/A-1+) is a California corporation with its principal executive offices in Plano, Texas. It was incorporated in California in 1982 and began operating in 1983. It is owned by Toyota Financial Services International Corp., a California corporation that is a wholly owned subsidiary of Toyota Financial Services Corp., a Japanese corporation that is a wholly owned subsidiary of Toyota Motor Corp., another Japanese corporation. Toyota Financial Services manages Toyota Motor Corp.'s worldwide finance operations. TMCC provides finance and insurance products to automotive dealers and their customers in the U.S.

## Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020

- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 15, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009
- Criteria | Structured Finance | ABS: Assessing The Risk Of Pension Plan Terminations On U.S. Auto Lease Securitizations, Aug. 17, 2004

## **Related Research**

- Credit Conditions North America Q1 2024: A Cluster Of Stresses, Nov. 28, 2023
- Economic Outlook U.S. Q1 2024: Cooling Off But Not Breaking, Nov. 27, 2023
- Toyota Motor Corp., April 3, 2023
- Five Ratings Affirmed From Two Toyota Lease Owner Trust Transactions, March 9, 2023

Copyright © 2024 Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://www.globalcreditportal.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).