July 12, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Staff
450 Fifty Street, N.W.
Washington, DC 20549-0609

Re: File Number S7-21-04

Ladies and Gentlemen:

Toyota Motor Credit Corporation ("TMCC") welcomes the opportunity to comment on the proposed new and amended rules and forms (the "Proposed Rule") relating to the registration, disclosure and reporting requirements for asset-backed securities under the Securities Act of 1933, as amended (the "Securities Act") and the Securities Exchange Act of 1934, as amended (the "Exchange Act") issued on May 13, 2004.

TMCC, a California corporation, is an indirect wholly-owned subsidiary of Toyota Motor Corporation ("TMC"). TMC, headquartered in Toyoda City, Japan, is the world's second largest automaker. TMCC provides retail and wholesale financing, retail leasing and certain other financial products and services to authorized Toyota and Lexus vehicle dealers, and to a lesser extent other domestic and import franchised dealers and their customers in the U.S. TMCC also provides retail, lease, and wholesale financing to industrial and other equipment dealers throughout the U.S. TMCC is among the ten largest U.S. finance companies as measured by net receivables, with over $45 billion in assets managed as of June 30, 2004. TMCC is the sponsor and servicer of trusts that have issued over $14 billion of publicly registered securities backed by auto finance receivables and over $3 billion of publicly registered securities backed by retail auto closed-end leases.

We appreciate and support the effort the Staff has put forth to establish the Proposed Rule and believe that uniformity in reporting of asset-backed securities will significantly benefit the market. However, we seek certain clarifications and exceptions to certain rules proposed under new Regulation AB. We believe that several of the proposed rules instead of serving to codify the market driven disclosures that appear today go much further than necessary and, in some instances, are overly burdensome.

TMCC has the following comments on the Proposed Rule:

1. DEFINITION OF ASSET-BACKED SECURITY.

a) **Delinquent**. The Proposed Rule provides that for shelf registration eligibility, an asset pool with total delinquencies of up to 20% as of the cut-off date may still be considered an "asset-backed security." The Proposed Rule also provides that improper re-aging or recharacterization of delinquent accounts cannot be employed for purposes of satisfying delinquency concentration limits. The Proposed Rule clarifies the definition of "delinquent" as follows: "a pool asset that was more than one payment past due could not be characterized as not delinquent if only partial payment of the total past due amount had been made, unless the obligor had contractually agreed to restructure the obligation, such as part of a workout plan."

Definition of Delinquent. A receivable is defined as delinquent if "any portion of a contractually required payment" is 30 days or more past due. Our policy considers an obligor to be delinquent if less than 90% of a payment is received by the applicable due date. The new definition would require that we alter our delinquency recognition policy. There would be considerable time and effort required to convert our computer systems to recognize a contract as delinquent even when at least 90% of the scheduled payment had been made. In addition, this change could adversely affect our relationship with our obligors. Moreover, we have reviewed a number of prospectuses of other asset-backed issuers. Based upon this review, we believe that it is common practice in the prime retail auto receivable securitization market to report contracts as current when (1) for some issuers, at least a certain percentage of the scheduled payment has been made and (2) for other issuers, more than a certain dollar amount of a scheduled payment has been made. We request that the Staff modify the definition of "delinquent" to conform with the Staff's approach in defining when an asset is deemed to be "non-performing." The Staff notes that the point at which a financial asset is non-performing is often dependent on asset type, with some financial assets being considered non-performing before other asset types and concludes that an asset should be considered non-performing if it meets the requirements for being charged-off under either (1) the requirements in the relevant transaction agreements or (2) the policies of the sponsor. We believe that similar issues exist in defining when a financial asset should be deemed delinquent. For that reason, we propose that a receivable be determined to be delinquent in accordance with the provisions specified in the relevant transaction agreements or under the applicable sponsor's policies. The applicable terms and policies should be disclosed in the prospectus. We believe that market pressures will prevent issuers from adopting policies inconsistent with market practices. If the Staff is unwilling to make this change, we request that a 90% collection threshold be adopted for determining whether a receivable is current. If neither of these alternatives is adopted, we request clarification that for purposes of historical delinquency information, information may be presented as currently computed with a footnote indicating the applicable delinquency recognition policy.

Re-aging. We note under most securitization programs, the servicer has the power to grant the obligor certain extensions. When an extension is granted, the underlying documents are not typically contractually amended. We request that this practice not be affected and that these receivables not be considered delinquent as long as the practices are disclosed in the prospectus supplement.

b) **Residual Value Criteria**. We do not believe that the Staff should set any percentage limitation on cash flow from residual values in determining whether lease-backed securities qualify as asset-backed securities or are Form S-3 eligible. We believe that to the extent the residual value percentage is important to investors, the market will impose relevant limitations either by imposing a higher cost of funding or through a lower market acceptance. The percentage limitation of 60% for automobile leases will limit the amount of shorter-term (such as 2-year) automobile leases that can be included in an asset pool. This seems like an unintended result as shorter-term leases likely pose a lesser residual value risk than longer-term leases and are less likely to default. In general, the longer the lease term, the more difficult it is to predict the residual value at the end of that lease term and the more likely it is that the vehicle will have experienced excessive wear and tear or extensive damage. Similarly, this limitation will reduce the number of more seasoned leases that can be included which, again, carry a lower risk of default. The percentage limitation of the Proposed Rule could result in sponsors being limited in the type of auto lease assets they can securitize while not providing investors with significant additional protection. Finally, we believe that the Proposed Rule does not provide clear guidance as to how the percentage of cash flow from residual values should be determined. For example, the point at which the numerator and denominator should be measured (cutoff date or sale date) and the valuation method (discounted or undiscounted) that should be employed are unclear. Further, as proceeds from residual values may be received prior to non-residual value proceeds during the life of the investment, determining the percentage of residual value cash flows versus non-residual value cash flows would require extensive analysis. For these reasons, we do not believe that the proposed percentage limitation is necessary.

c) **Prefunding and Revolving Periods**. We believe that the percentage limitations and the one-year period should not apply to automobile receivables (or other asset types) that are homogenous. There appears to be no public policy reason for establishing this limit. Disclosure that the revolving or pre-funded assets are of the same character and quality of the original pool assets is already required and is always a stipulation imposed by the credit rating agencies for the assigned ratings on the related securities issued. In addition, any changes in underwriting or servicing policies are required to be disclosed. These disclosures provide adequate information to the market such that the proposed limitations are unnecessary. If despite the homogenous nature of automobile receivables the Staff believes that investors need ongoing disclosure of the composition of the asset pool, we propose that an exception to the percentage and one-year period should be permitted to the extent the registrant undertakes to continue to file with the SEC on a quarterly basis the then current pool composition for the life of the pre-funding period or revolving period, as the case may be.

2. DISCLOSURE REQUIREMENTS.

a) **Transaction Parties**. The Proposed Rule requires additional disclosure for servicers and credit enhancement providers that is inconsistent with current market practice, is overly burdensome for issuers to supply and does not provide investors with any additional material information that affects the performance of the underlying pool assets or the securities backed by these assets.

Servicer. The Proposed Rule requires extensive disclosure of servicers that service 10% or more of the pool assets. As proposed, Regulation AB takes a very expansive view of the definition of "servicer." As drafted, "servicer" could include entities that are not contractually liable to the issuing entity and in most cases are performing activities that are highly fungible and could be easily transferred to another entity without adversely affecting the pool assets or related securities. For example, TMCC employs third parties to perform certain administrative functions including vehicle title tracking and tracking whether the obligor has maintained the required insurance policy on its vehicle. These activities are easily transferable to other third parties or back to the servicer without any interruption or effect on the servicing of the receivables. We also point out that TMCC has outsourced these specialized administrative functions for both its owned and securitized portfolio.

We propose that the Staff adopt a principles-based approach to the entities that are serving in quasi-servicing functions of the type described in the preceding paragraph. Disclosure should not be required for entities that are not contractually liable to the issuer to service receivables unless the transfer of the functions these entities serve to another entity is reasonably likely to materially adversely affect the pool assets or the asset-backed securities. These conditions are satisfied for the administrative functions outsourced by TMCC. Investors would not benefit from knowing the legal identity of these entities or the other information that would be required under the Proposed Rule. In addition, these requirements could prevent a servicer from outsourcing administrative functions that could be performed by specialized companies on a more efficient and cost effective basis.

Credit Enhancement Providers. The Proposed Rule would require audited financial statement disclosure in accordance with generally accepted accounting principles for a credit enhancement provider if "an entity or group of affiliated entities providing enhancement or other support for the asset-backed securities is liable or contingently liable to provide payments representing 20% or more of the cash flow supporting any class." The Staff notes in the Proposed Rule that this is a codification of an existing Staff position. We believe that the Proposed Rule as it relates to disclosure of information regarding derivative counterparties is contrary to advice previously given by the Staff and existing market practice.

Under the Proposed Rule, a derivative product counterparty would be considered to be providing credit enhancement for 20% or more of any class of securities if the cash flows that the derivative product counterparty would be legally required to pay equals or exceeds 20% of the principal amount of any class of securities. By custom and practice, derivatives are frequently uncapped. The reasonably likely exposure, and the value of the derivative is far less than the maximum possible exposure. The Staff's proposal gives no weight to the probability of potential exposure which is inconsistent with the Staff's approach in a number of different areas regarding materiality. For example, it is our understanding that the Staff took a different position as it relates to currency swaps. In those cases, it is our understanding that the registrants devised a matrix based on both the probability of a counterparty with the specified rating defaulting on its obligations during the term of the derivative (based on rating agency published criteria) and the likely amount of the payment required to be made by the derivative product counterparty based on ten years or more history of the relationship of the rates to the index. The purpose of the calculation was to determine the likely magnitude of the exposure of the issuing entity to the credit of the derivative product counterparty.

Under the Proposed Rule it is likely that the audited financial statement disclosure would be required of all swap providers. Moreover, many derivative product counterparties are foreign entities or special purpose structured finance product companies that do not have separate audited financial statements prepared in accordance with US generally accepted accounting principles. These entities are structured so that they are subject to specially calculated capital requirements based on their overall derivatives exposure, with the intention that they be isolated from the bankruptcy risk of their affiliates. We believe that imposing a financial statement disclosure requirement for such entities would be very burdensome and would result in fewer options for issuers seeking derivative counterparties in a market already severely limited due to the ratings requirements of the rating agencies. For these reasons, we believe that the Staff should reconsider whether swaps entered into with market terms are really properly characterized as credit enhancements. Alternatively, we believe that a methodology similar to that allowed for currency swaps, as described above, be used to determine whether the applicable threshold has been exceeded. Finally, we request that, to the extent financial statements are required to be disclosed, the Staff modify the Proposed Rule with respect to incorporation by reference and allow issuers to incorporate by reference just the financial statements that are required to be disclosed and not all of the entity's Exchange Act reports.

b) **<u>Credit Score Data</u>**. The Proposed Rule requires the material characteristics of the asset pool to be disclosed. One of the characteristics that the Proposed Rule cites as an example for many asset types is "standardized credit scores of obligors and other information regarding obligor credit quality." Credit bureau scores are only one component to our internal and proprietary scoring model. Such information is limited to historical data, and is therefore only of partial use in the evaluation of credit worthiness of prospective customers. We currently disclose the historical delinquency and loss performance of our portfolio. If our underwriting standards changed materially, we would disclose the change in the related prospectus supplement. Further, historical standardized credit scores are not available as they were not maintained on our system and deriving them would be overly burdensome and very costly. At the very least, we would propose that if standardized credit score information is required to be disclosed, the information should only be required for receivables originated after the effective date of Regulation AB. In addition, credit bureau scores should be the only information regarding credit scores required to be disclosed. In particular, any internal credit score should not be required to be disclosed. Internally generated credit scores are inherently subjective and would involve disclosure of proprietary information. Disclosure of standardized credit scores rather than internal scores will increase transparency and allow investors to more easily compare the credit quality of pools of other issuers based upon a standardized set of criteria.

In addition, we request that Proposed Rule 1110(b)(11) be clarified to provide that the credit score information may be presented as of the date of the origination of the automobile receivable rather than as of the cut-off-date. It is not our practice to order new credit scores for obligors after origination of an automobile receivable unless the obligor is delinquent. Ordering new credit scores would be an overly burdensome change to our process given the prime quality of the assets and their relatively short term.

c) **Purchase Price of Assets**. The Proposed Rules would require disclosure in the prospectus of the amount paid or to be paid for the pool assets. We believe that this information is not relevant to an investor because the purchase price of the assets has no effect on their performance. It would also require disclosure of sensitive, proprietary business information.

d) **State Concentration.** The Proposed Rule requires added disclosure regarding economic or other material factors for states with asset concentrations in excess of 10%. We believe that it is impractical to impose a duty on the issuer to evaluate and be liable for disclosure about regional economic conditions to the extent the Proposed Rule requires. TMCC already endeavors to modify and supplement its risk disclosure for asset-backed securities issues at the time of execution to reflect our and our counsel’s views on current material risks due to the economic environment of regions with material asset concentration. We believe that investors can evaluate the characteristics of regions with any concentrations. Researching and analyzing local and regional economic conditions to the extent proposed for all states with asset concentrations in excess of 10% seems to be beyond the scope of an asset-backed securities prospectus and would serve to increase the volume of information included in the prospectus supplement. Because of the difficulty of compiling the information, if this information is required, we believe that a large amount of boilerplate disclosure would be included in all prospectuses with discussions that would provide minimal value to investors. In addition, the details of any local laws are not material to investors unless they are reasonably likely to have a material adverse effect on the receivables. Again, under current market practice, these effects are already being disclosed in the section of the prospectus which describes compliance with laws generally.

e) **Sponsor's Relationships with Underwriters and Other Specified Parties**. The Proposed Rule would require disclosure as to the existence and "general character" of any transactions between (i) the sponsor, depositor or issuing entity and (ii) any underwriter, trustee, servicer, originator, credit enhancement provider or significant obligor identified in the prospectus, or any of their affiliates; but only if outside the ordinary course of business or on non-arms length terms. However, the instruction gives as an example a warehouse line provided to the sponsor by an underwriter, and indicates it would have to be disclosed. We disagree with the characterization of this transaction. This example should either be deleted or described as something that explicitly does not need to be disclosed. Sponsors enter into warehouse transactions in the ordinary course of business. Required disclosure should be limited to transactions that could materially affect the rights of holders of the asset-backed securities or that are necessary to understand the asset-backed securities. The instruction also indicates that if any transactions are required to be disclosed, the disclosure required would include the material terms and dollar amounts if they are material. We would not know how to interpret this instruction since as we described above, we do not believe that these types of transactions are material to investors. The instruction seems to be much broader than the Proposed Rule which requires disclosure of the general character of the relationship.

f) **Static Pool Data**. The proposed static pool data requirements in the Proposed Rule would have a burdensome effect on TMCC because we do not currently compile the requested information and we are concerned that we would not be able to compile certain of the requested information. We would have to produce certain of the requested information for previously securitized pools by manually sifting through distribution date statements. We request that if any static pool disclosure is required, the Staff make clear that it be limited to performance of publicly offered securitized pools (and not the performance by vintage of all receivables originated) to the extent the entity has securitized receivables previously. This information would be duplicative of the performance of securitized pools and we believe that the performance of securitized pools is more relevant to investors than the performance of the sponsor's overall portfolio. Further, any other presentation in addition to static pool data by securitized pool would also be duplicative. The information should only be required to be supplied for a specified period not exceeding three years preceding a securitization. Due to the difficulty of compiling the requested information for pools previously securitized, we also request that disclosure of static pool data be required solely on a prospective basis for pools securitized after the effective date of the Proposed Rule.

It appears that the Proposed Rule requires the static pool to be stratified according to a number of pool characteristics (including credit score, loan to value, and interest rate), with the static pool data shown for each stratification within each characteristic. We believe that this requirement would require a significant amount of work and entail enormous expense since reporting would now be required for a number of these sub-pools and at the same time it would add little value to investors. This burdensome effect is further magnified when considering the number of prior securitizations or vintages for which disclosure is required and the use of monthly reporting. Instead of this requirement, we believe that for each prior securitized pool for which static pool data is provided, limited pool characteristics as of the cutoff date should be disclosed.

In order to save significant time and expense and to keep the prospectus for each securitization from being overly voluminous, we propose that the Staff allow static pool data to be incorporated by reference into the prospectus and be filed on Form 8-K or even referred to as existing on our website. If the information is required to be physically incorporated in each prospectus, we would need to have it input, Edgarized and comforted repeatedly by our accountants.

3. COMMUNICATIONS DURING THE OFFERING PROCESS.

The proposed definition of ABS informational and computational material is actually narrower than that provided in SEC no action letters and that used in the industry. The identified items do not include such transaction aspects such as credit enhancement, servicer delinquency, loss and prepayment information, legal matters disclosure (e.g. tax, ERISA and money market eligibility), transaction participants like servicers and trustees, other deal terms like prefunding periods and optional clean up call dates, credit ratings, minimum denominations and asset selection criteria. This information is typically included in our computational materials and is essential to understanding the transactions. We do not see why the Staff would want to limit the breadth of material currently covered by computational materials.

4. ONGOING REPORTING UNDER THE EXCHANGE ACT.

a) **Consequences to Non-Compliance**. We strongly believe that failure to have timely filed Exchange Act reports should not result in loss of Form S-3 eligibility in cases where such failure is the result of third party action or inaction, the failure is immaterial or unintentional or good cause can otherwise be shown for such failure. For example, if we file a monthly report one day late, we think that it is not in anyone's best interest to keep us out of the public markets for one year. This consequence could actually hurt investors by reducing liquidity on their securities. There should be an extension mechanism available and all registrants should have the benefit of grace periods. The standard that we propose is also similar to the standard the Staff notes in footnote 198 to the release of the Proposed Rule with respect to Securities Act Rule 165(e). Under Securities Act Rule 165(e), an immaterial or good faith failure to file a prospectus is not a violation of the Securities Act so long as a good faith and reasonable effort was made to comply with such filing requirement. The Staff notes that factors used to determine materiality include the nature of the information, the length of the delay and the surrounding circumstances.

We also note that whereas a prospectus for a corporate issuer relying on Form S-3 incorporates by reference Exchange Act reports, the prospectus for an asset-backed security offering under Regulation AB is required to contain the same level of disclosure whether registered on Form S-1 or Form S-3. Consequently, we believe that the loss of Form S-3 eligibility is too harsh of a penalty in these circumstances. Under the Proposed Rule, the failure to file on time a required filing on Form 8-K while TMCC has a deal in the market could result in TMCC needing to pull the transaction.

Finally, we believe that if an Exchange Act report is filed late, we should at least be able to continue to issue off of an effective Form S-3 shelf registration statement until the date the shelf is exhausted.

b) **Failure to Make a Required Distribution.** The Proposed Rule requires that the issuer file a report on Form 8-K to the extent a required distribution is not made as of the applicable distribution date. However, from time to time minor mistakes are made and either the mistakes are quickly remedied or adjustments are made on the following distribution date. Since the Staff has indicated its intention to limit the number of filings on Form 8-K to material events (which is why it proposes creating Form 10-D for distribution date statements), we request that the Staff provide further clarification on the materiality of the amount or nature of the failed distribution that would require the filing of a Form 8-K.

c) **Servicer Compliance Certificate**. We are generally in favor of establishing a standard set of criteria for assessing servicing compliance by the servicer. However, we believe that these criteria should be considered to be guidelines for establishing the servicing standards applicable to a particular transaction rather than a mandated set of requirements. The Proposed Rule allows the servicer to opt out of any of the criteria included in the Proposed Rule if the criteria is not applicable to the asset class as long as it discloses this decision in the compliance statement. However, we strongly believe that the servicer should be able to exclude any particular criteria from its review even if it cannot conclude that the criteria is not applicable to the asset class as long as it discloses the exclusion in the compliance certificate and possibly in the prospectus. For example, the Staff should not require the servicer to maintain a fidelity bond and errors and omissions policy if they are not required by the transaction documents.

We have other specific comments about certain of the standards.

- Item 1120(d)(2)(i). This provision seems to impose a substantive requirement that moneys be deposited to a custodial or bank clearing account within two business days. Many transactions allow the servicer to commingle collections until they are required to be distributed provided that certain conditions are satisfied such as maintenance of a satisfactory rating. These conditions are subject to rating agency approval and are acceptable market practice for creditworthy servicers. Preventing commingling in these circumstances could adversely affect efficiency and would prevent a business practice that has not resulted in harm to investors.

- Item 1120(d)(3)(i)(D). This provision requires the servicer to ascertain whether its records agree with the records of the trustee and investors. The servicer is not in a position to control this. Accordingly, we believe that the item should be deleted.

- Item 1120(d)(3)(iii). The servicer does not maintain the records for investors. Accordingly, we believe that the item should be deleted.

- Item 1120(d)(4)(iv). We believe that this provision should be clarified to make clear that it relates to the servicer's records relating to the obligor. The servicer cannot control the posting to the records of an obligor.

- Item 1120(d)(4)(v). This provision requires the servicer to ascertain whether its records agree with the records of the obligors. The servicer is not in a position to control this. Accordingly, we believe that the item should be deleted.

5. TRANSITION RULES.

Compliance with the regulations will require substantial changes in procedures and programming and the addition of much new disclosure. It may also require significant manual effort. We believe that sponsors should be given enough time to prepare registration statements and prospectuses in a thoughtful manner. If issuers are not given enough time to prepare, the public securitization market could be adversely affected which would negatively affect investors. For these reasons, we strongly recommend longer transition periods than contained in the Proposed Rule. We believe that takedowns off of existing registration statements should be exempt from having to comply with the new requirements. From a fairness perspective, the registration statements were filed and registration fees paid relying on a different rules' paradigm. In the alternative, we propose that takedowns off of existing registration statements should be so exempt for a period of two years from the effective date of Regulation AB. We believe that the Staff should propose a substantial period such as six months (if static pool disclosure is required on a prospective basis only as requested above) or (if no such relief is granted) one year from the effective date of the

Regulation AB before new registration statements would be subject to Regulation AB.

We thank you for your consideration. Should you have any questions, please contact the undersigned at (310) 468-2637.

Sincerely,

TOYOTA MOTOR CREDIT CORPORATION

By:

/s/ John Stillo

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Name: John Stillo
Title: Vice President and Chief Financial Officer