

"Cash For Clunkers" Program Becomes Law

What You Need to Know About the Car Allowance Rebate System (CARS)

Buzz for the Car Allowance Rebate System (CARS) is building since the CARS Act was signed into law by President Obama on June 24. The CARS program is expected to be implemented in late July 2009, and is currently planned to conclude November 1, 2009 or sooner if government funding runs out. CARS offers qualifying customers a potentially valuable incentive for buying a new vehicle, and may give dealers a useful trade-in tool for putting together a deal.

Popularly known as "Cash for Clunkers," the program encourages owners of older gas-guzzlers currently on the road to trade them in for new, more fuel-efficient vehicles. Based on the specifics of the trade-in vehicle and the qualifying new purchase, customers can receive a voucher for \$3,500 or \$4,500.

Once the customer buys an eligible new car (and after the paper documentation is submitted and approved), within about 10 days, the CARS credit will be paid to the selling dealer by the Federal government. After the old vehicle is traded-in, the program requires the trade-in vehicle to be crushed or shredded so that it won't be resold as a vehicle. Some parts of the vehicle can be resold prior to crushing or shredding, but these parts can't include the engine or the drivetrain.

This is an important point, since customers may be expecting to receive the trade-in value and the value of the voucher. But once the powertrain is scrapped, the trade-in is of null value. So the customer's choice

is really between either the regular trade-in value or the voucher—not both. (The law requires the dealer to disclose the scrap value of the trade-in vehicle.)

The program only helps customers with a trade-in vehicle valued at less than the amount of the voucher. Since the CARS program voucher takes the place of a conventional trade-in, think of it as an option that might be useful in putting together a deal—not as a supplement on top of the trade-in.



CARS is not likely to benefit Toyota "replacers," as many older Toyota vehicles typically already deliver excellent fuel economy and may not be eligible. However, for those customers trading in some other

manufacturer's less fuel-efficient vehicle, the CARS program could be the icing on the cake in putting together a deal—and a great way for you to see some brand-new customers in your dealership.

In fact, the CARS program is likely to create a lot of interest—and a lot of traffic—at your dealership. The program may not be a good fit for many customers, but it presents a golden opportunity for you to meet a broad spectrum of customers that are actively in the marketplace. So make use of the opportunity. CARS is a great attention-getter that may help you send those customers home in a new Toyota today—whether they're eligible for a voucher or not. This Hot Sheet will help you understand the program, and, most important of all, clearly explain it to your customers.



Eligible vehicles

Eligible trade-in vehicles must be 25 years old or less (i.e. 1984 model year) and must have been owned, registered in the U.S. and insured by the customer a minimum of one year. The vehicle must be operating at the time of trade-in. The CARS program requires that the new vehicle as-equipped can't be in excess of \$45,000 MSRP. Since many Toyota models offer excellent fuel economy, CARS vouchers can be applied to the vast majority of Toyota models. All Toyota cars are eligible and most Toyota trucks and SUVs can participate in the program.

Three categories of trade-ins are eligible for a new Toyota

The CARS program focuses on four types of trade-in vehicles (passenger cars and three categories of trucks) and offers different incentives based on how the old vehicle compares with the new vehicle. New Toyota vehicles may be eligible in three of the four categories:

- **Passenger Car**
- **Category 1 Truck**
(All SUVs with GVWR ≤10,000 lbs.; Pickups with GVWR <8,500 lbs. & wheelbase ≤ 115 in.; Passenger vans & cargo vans with GVWR <8,500 lbs. & wheelbase ≤124 in.)
- **Category 2 Truck**
(Pickups with GVWR ≤ 8,500 lbs. & wheelbase > 115 in.; Passenger vans & cargo vans with GVWR ≤ 8,500 lbs. & wheelbase >124 in.)

How voucher amounts are determined

The amount of the CARS voucher depends on the type, and in most cases, the fuel economy rating of the vehicle being traded-in and of the vehicle being purchased. Miles per gallon figures used by CARS are EPA combined estimates, calculated using the new method introduced for 2008 models—even for vehicles produced before the new method was enacted. These updated mileage estimates are available at fuelconomy.gov.

CARS can be combined with other incentives

The voucher amounts are in addition to any incentives offered by the dealer, manufacturer or government. For dealers in California and Texas that offer similar vouchers to get old cars off the road, it's good to check for available cash because it may be added on top of the CARS voucher. Combine the CARS voucher with other incentives, and the positive effect on the consumer's bottom line can be substantial.

CARS also applies to 60-month or longer new vehicle leases

If the customer will be leasing their new vehicle, the voucher can be applied to a leased vehicle as a "capitalized cost adjustment." This lowers the price of the vehicle and in turn, reduces the monthly lease payment. In order for a lease to qualify for the program, however, CARS specifies that the lease term must be no less than five years.

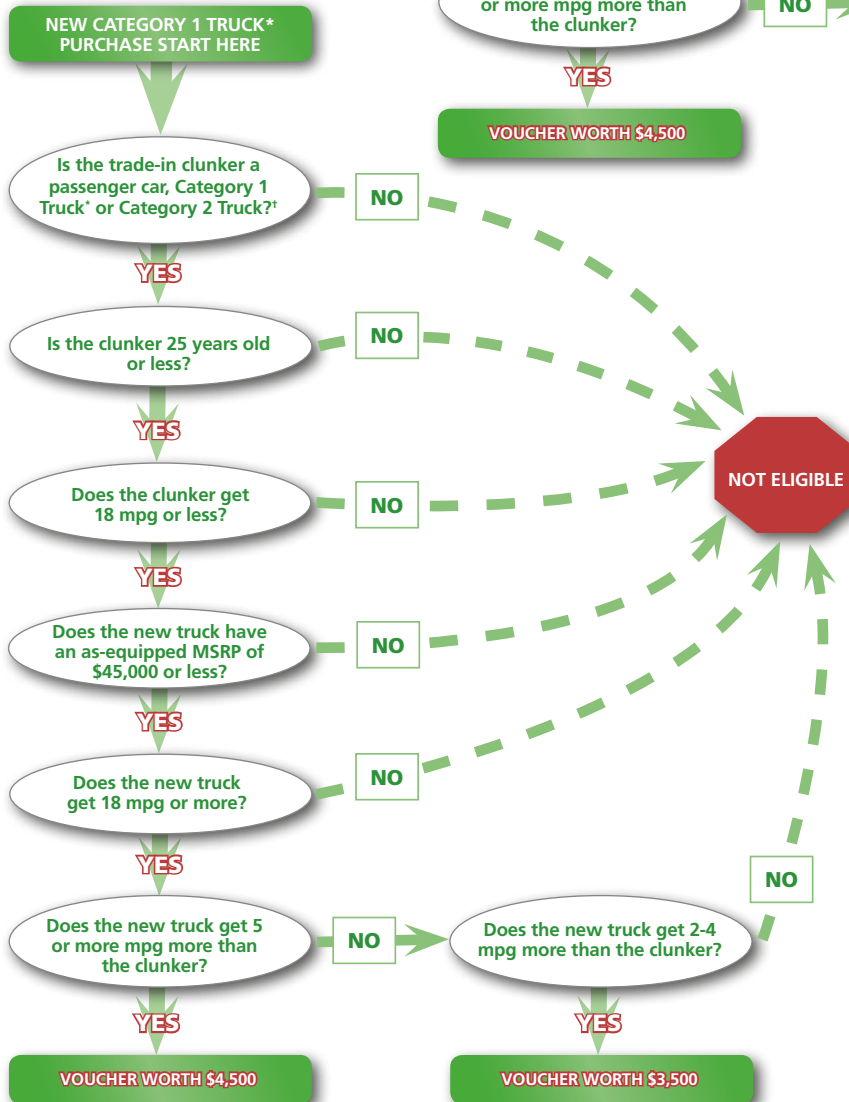
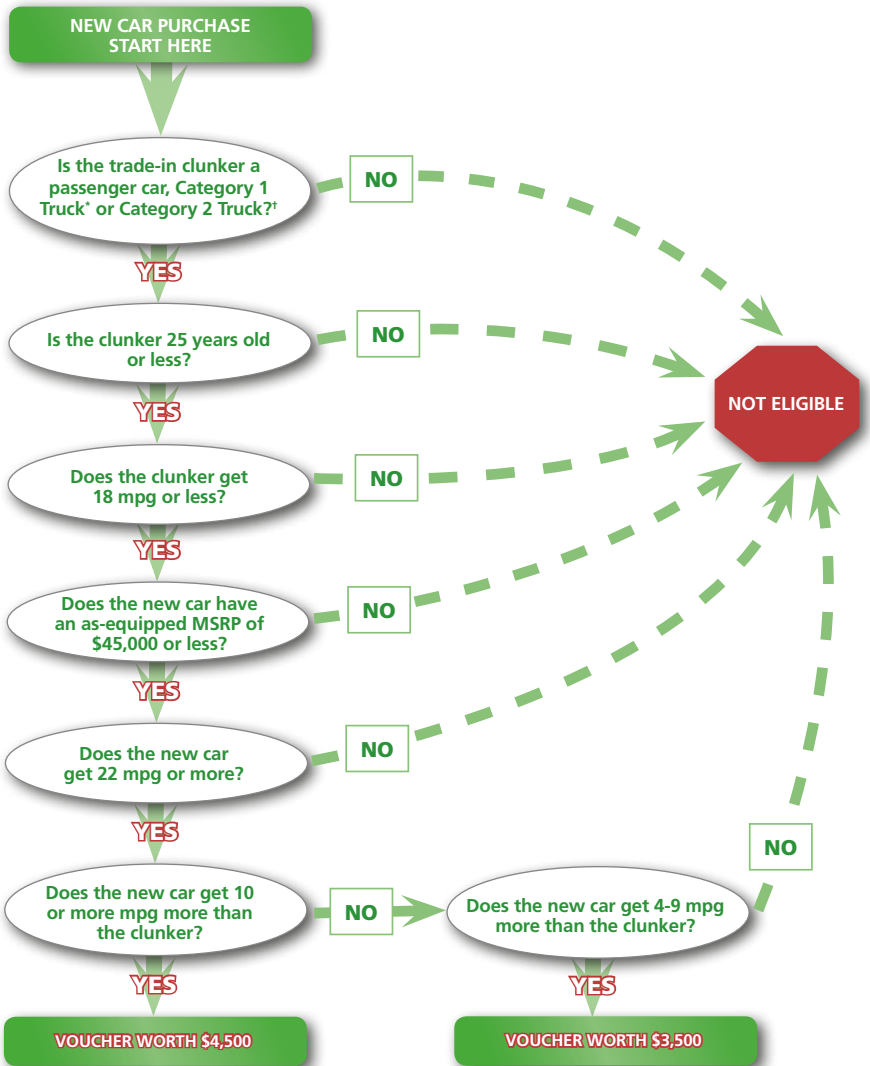
Find out more

An informational website at cars.gov explains the details of the CARS program and serves as a single source for accurate and up-to-date information. Go there to get the whole story, and let your customers know about this important unbiased government resource. Beware of other sites that appear official, but are actually from third parties. Only cars.gov has the official information.

- An additional CARS Hot Sheet is under development and will provide greater detail on the program.
- To make it easy to quickly determine the exact voucher amounts for specific trade-in vehicles and new Toyota models, a downloadable Toyota Voucher Calculator will be available on eShowroom.

CARS in action

To provide a better idea of how the program works, the following three charts can help you determine if a trade-in vehicle is eligible for a CARS voucher for the purchase or lease of a new Toyota. Since the requirements for each of the three categories of trade-in are different (Passenger Car, Category 1 Truck, and Category 2 Truck), be sure to use the appropriate chart for each type of trade-in vehicle.

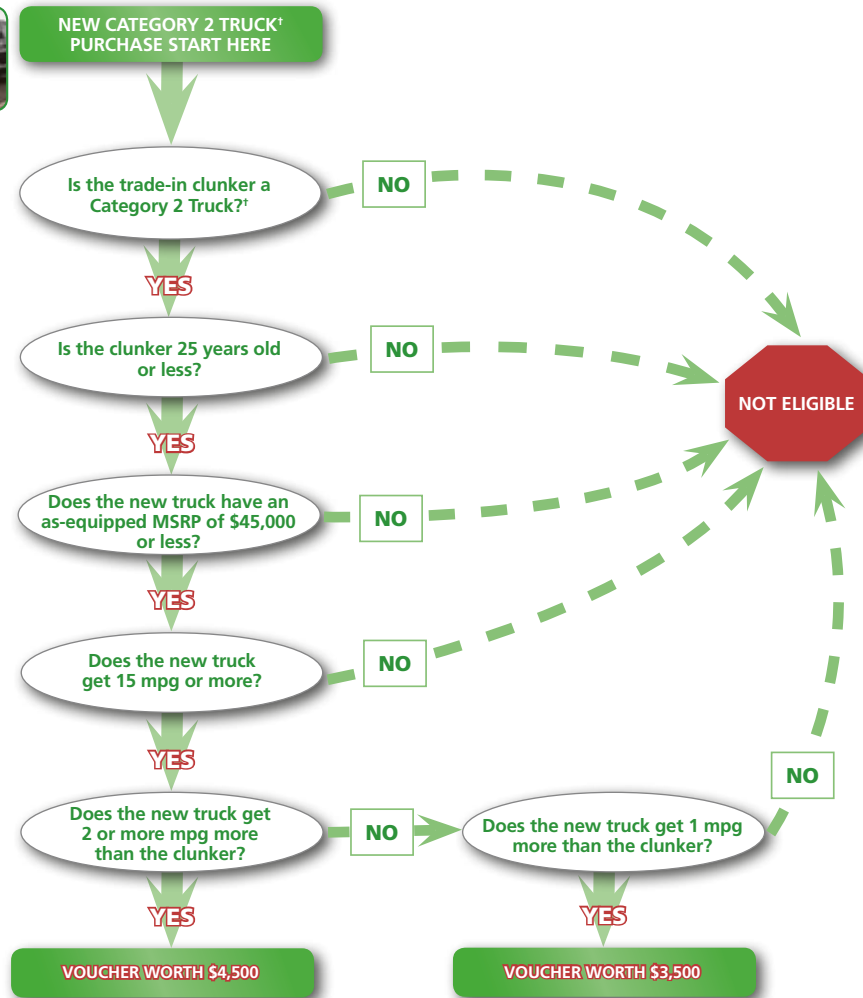


*Category 1 Truck:

- All SUVs with GVWR ≤ 10,000 lbs.
- Pickups with GVWR < 8,500 lbs. & wheelbase ≤ 115 in.
- Passenger vans & cargo vans with GVWR < 8,500 lbs. & wheelbase ≤ 124 in.

†Category 2 Truck:

- Pickups with GVWR ≤ 8,500 lbs. & wheelbase > 115 in.



*Category 2 Truck:
• Pickups with GVWR ≤ 8,500 lbs.
& wheelbase > 115 in.

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MDC# 00654-01000-HS1