

UNDERSTANDING THE FINANCE CHARGES  
ON YOUR SIMPLE INTEREST MOTOR VEHICLE INSTALLMENT SALES CONTRACT  
*offered by*  
LEXUS FINANCIAL SERVICES



NEED SOME HELP  
UNDERSTANDING THE  
FINANCE CHARGES FOR  
YOUR CAR PAYMENTS?

DON'T WORRY,  
YOU ARE NOT ALONE.

*We frequently receive questions from customers trying to figure out their payments and what they owe. This brochure can help you better understand how your simple interest motor vehicle sales contract (finance contract) works.*



# THINGS TO KNOW ABOUT SIMPLE INTEREST FINANCE CONTRACTS

**1. SIMPLE INTEREST CONTRACTS** On a simple interest contract, finance charges are calculated based on the unpaid principal balance of the contract. As each payment is made, the payment amount is applied toward the finance charges that have accrued since the last payment was received. The remaining portion of the payment is applied in accordance with the terms of your contract.

**2. FINANCE CHARGES** Finance charges accrue daily based on the unpaid principal balance. For example, if the unpaid principal balance on your account is **\$42,000.00**, your Annual Percentage Rate (APR) is **5%** and your normal monthly payment amount is **\$792.59**, your daily finance charge amount is calculated as follows:

$\frac{(\text{Unpaid principal balance} \times \text{APR})}{\text{Number of days in a year}} = \text{Daily Finance charge amount (also called per diem)}$
$(\$42,000.00 \times .05) / 365 = \$5.7534$

**3. PAYMENT EXAMPLES** If we received your payment 31 days from the date you began your finance contract, your finance charge for that period would be **\$178.35** (**\$5.7534 x 31**). Finance charges are paid first and the remainder of the payment is applied in accordance with the terms of your contract. Your payment would be distributed as follows:

Finance Charges	\$178.35
Principal	\$614.24
Total	\$792.59

For your next payment, the new unpaid principal balance would be **\$41,383.76** (**\$42,000.00 - \$614.24**). The daily finance charge amount is calculated as follows:

$$(\$41,383.76 \times .05) / 365 = \$5.6690$$

If we received your payment 29 days from the date we received your last payment, your finance charge for that period would be **\$164.40** (**\$5.6690 x 29**). Your payment would be distributed as follows:

Finance Charges	\$164.40
Principal	\$628.19
Total	\$792.59

## 4. HOW TIMING AFFECTS THE PAYMENTS

The timing of your payments will vary the finance charges you owe. The earlier you make your payments before the due date, the less finance charges you should owe. The later you make your payments after they are due, the greater the finance charges. This illustrates the importance of making payments on time.

For example, in the last example, if we receive and apply your payment 30 days from the date we received your last payment, your finance charges for that period would be **\$172.60** (**\$5.7534 x 30**) and your payment would be distributed as follows:

Finance Charges	\$172.60
Principal	\$619.99
Total	\$792.59

However, if we receive and apply your payment 28 days from the date we received your last payment, your finance charges for that period would be **\$161.09** (**5.7534 x 28**) and your payment would be distributed as follows:

Finance Charges	\$161.10
Principal	\$631.49
Total	\$792.59

Similarly, if you send in extra principal payments, you may reduce the finance charge you pay over the term of your contract, assuming you continue to make your normal monthly payment on or before the scheduled due date throughout the life of your finance contract. It is important to remember that finance charges are calculated on your declining principal balance. Your daily finance charge declines as your principal balance declines.

In addition, your last payment will probably be different from the amount disclosed in your contract. The amount of your final payment will depend on your payment history throughout the term of your contract. If you consistently pay early or make additional principal payments, your last payment should be lower than your regularly scheduled monthly payment.

If you pay late, your last payment should be higher.

**5. EXTENSIONS** Extensions may be offered to qualified customers, who meet a certain criteria. An Extension Agreement defers one or more monthly payment(s) to the end of the finance contract term. It is important to understand, when you defer payments, you continue to accrue daily finance charges on the unpaid balance as you did not remit a monthly payment to be applied against the unpaid balance.

**6. AMORTIZATION SCHEDULE** To the right, is an example of an amortization schedule, based on a 5% Annual Percentage Rate (APR). This shows you how a typical simple interest finance contract will be calculated to its last payment. Any variance from the schedule will affect the amount of finance charges owed per payment and over the term of the contract.

Payment Number	Due Date	Date Paid	Days Between Payments	Payment Amount	Beginning Balance	Finance Charge	Principal	Unpaid Balance
1	02/16	02/16	31	\$792.59	\$41,998.00	\$178.35	\$614.24	\$41,383.76
2	03/16	03/16	29	\$792.59	\$41,383.76	\$164.40	\$628.19	\$40,755.57
3	04/16	04/16	31	\$792.59	\$40,755.57	\$173.07	\$619.52	\$40,136.04
4	05/16	05/16	30	\$792.59	\$40,136.04	\$164.94	\$627.65	\$39,508.40
5	06/16	06/16	31	\$792.59	\$39,508.40	\$167.78	\$624.82	\$38,883.58
6	07/16	07/16	30	\$792.59	\$38,883.58	\$159.80	\$632.80	\$38,250.78
7	08/16	08/16	31	\$792.59	\$38,250.78	\$162.43	\$630.16	\$37,620.63
8	09/16	09/16	31	\$792.59	\$37,620.63	\$159.76	\$632.83	\$36,987.79
9	10/16	10/16	30	\$792.59	\$36,987.79	\$152.00	\$640.59	\$36,347.21
10	11/16	11/16	31	\$792.59	\$36,347.21	\$154.35	\$638.24	\$35,708.96
11	12/16	12/16	30	\$792.59	\$35,708.96	\$146.75	\$645.84	\$35,063.12
12	01/17	01/17	31	\$792.59	\$35,063.12	\$148.90	\$643.69	\$34,419.43
13	02/17	02/17	31	\$792.59	\$34,419.43	\$146.16	\$646.43	\$33,773.00
14	03/17	03/17	28	\$792.59	\$33,773.00	\$129.54	\$663.05	\$33,109.95
15	04/17	04/17	31	\$792.59	\$33,109.95	\$140.60	\$651.99	\$32,457.96
16	05/17	05/17	30	\$792.59	\$32,457.96	\$133.39	\$659.20	\$31,798.76
17	06/17	06/17	31	\$792.59	\$31,798.76	\$135.04	\$657.56	\$31,141.20
18	07/17	07/17	30	\$792.59	\$31,141.20	\$127.98	\$664.61	\$30,476.59
19	08/17	08/17	31	\$792.59	\$30,476.59	\$129.42	\$663.17	\$29,813.42
20	09/17	09/17	31	\$792.59	\$29,813.42	\$126.60	\$665.99	\$29,147.43
21	10/17	10/17	30	\$792.59	\$29,147.43	\$119.78	\$672.81	\$28,474.62
22	11/17	11/17	31	\$792.59	\$28,474.62	\$120.92	\$671.67	\$27,802.95
23	12/17	12/17	30	\$792.59	\$27,802.95	\$114.26	\$678.33	\$27,124.62
24	01/18	01/18	31	\$792.59	\$27,124.62	\$115.19	\$677.41	\$26,447.21
25	02/18	02/18	31	\$792.59	\$26,447.21	\$112.31	\$680.28	\$25,766.93
26	03/18	03/18	28	\$792.59	\$25,766.93	\$98.83	\$693.76	\$25,073.17
27	04/18	04/18	31	\$792.59	\$25,073.17	\$106.48	\$686.12	\$24,387.05
28	05/18	05/18	30	\$792.59	\$24,387.05	\$100.22	\$692.37	\$23,694.68
29	06/18	06/18	31	\$792.59	\$23,694.68	\$100.62	\$691.97	\$23,002.71
30	07/18	07/18	30	\$792.59	\$23,002.71	\$94.53	\$698.06	\$22,304.65
31	08/18	08/18	31	\$792.59	\$22,304.65	\$94.72	\$697.87	\$21,606.78
32	09/18	09/18	31	\$792.59	\$21,606.78	\$91.75	\$700.84	\$20,905.94
33	10/18	10/18	30	\$792.59	\$20,905.94	\$85.91	\$706.68	\$20,199.26
34	11/18	11/18	31	\$792.59	\$20,199.26	\$85.78	\$706.81	\$19,492.45
35	12/18	12/18	30	\$792.59	\$19,492.45	\$80.11	\$712.49	\$18,779.96
36	01/19	01/19	31	\$792.59	\$18,779.96	\$79.75	\$712.84	\$18,067.12
37	02/19	02/19	31	\$792.59	\$18,067.12	\$76.72	\$715.87	\$17,351.25
38	03/19	03/19	28	\$792.59	\$17,351.25	\$66.55	\$726.04	\$16,625.21
39	04/19	04/19	31	\$792.59	\$16,625.21	\$70.60	\$721.99	\$15,903.22
40	05/19	05/19	30	\$792.59	\$15,903.22	\$65.36	\$727.24	\$15,175.99
41	06/19	06/19	31	\$792.59	\$15,175.99	\$64.45	\$728.15	\$14,447.84
42	07/19	07/19	30	\$792.59	\$14,447.84	\$59.37	\$733.22	\$13,714.62
43	08/19	08/19	31	\$792.59	\$13,714.62	\$58.24	\$734.35	\$12,980.27
44	09/19	09/19	31	\$792.59	\$12,980.27	\$55.12	\$737.47	\$12,242.80
45	10/19	10/19	30	\$792.59	\$12,242.80	\$50.31	\$742.28	\$11,500.52
46	11/19	11/19	31	\$792.59	\$11,500.52	\$48.84	\$743.75	\$10,756.77
47	12/19	12/19	30	\$792.59	\$10,756.77	\$44.21	\$748.39	\$10,008.38
48	01/20	01/20	31	\$792.59	\$10,008.38	\$42.50	\$750.09	\$9,258.29
49	02/20	02/20	31	\$792.59	\$9,258.29	\$39.32	\$753.28	\$8,505.02
50	03/20	03/20	29	\$792.59	\$8,505.02	\$33.79	\$758.80	\$7,746.21
51	04/20	04/20	31	\$792.59	\$7,746.21	\$32.89	\$759.70	\$6,986.51
52	05/20	05/20	30	\$792.59	\$6,986.51	\$28.71	\$763.88	\$6,222.63
53	06/20	06/20	31	\$792.59	\$6,222.63	\$26.42	\$766.17	\$5,456.47
54	07/20	07/20	30	\$792.59	\$5,456.47	\$22.42	\$770.17	\$4,686.30
55	08/20	08/20	31	\$792.59	\$4,686.30	\$19.90	\$772.69	\$3,913.61
56	09/20	09/20	31	\$792.59	\$3,913.61	\$16.62	\$775.97	\$3,137.63
57	10/20	10/20	30	\$792.59	\$3,137.63	\$12.89	\$779.70	\$2,357.94
58	11/20	11/20	31	\$792.59	\$2,357.94	\$10.01	\$782.58	\$1,575.36
59	12/20	12/20	30	\$792.59	\$1,575.36	\$6.47	\$786.12	\$789.24
60	01/21	01/21	31	\$792.59	\$789.24	\$3.35	\$789.24	\$0.00



## 7. EARLY PAYOFF CALCULATIONS

Assume you have made 28 payments, your Annual Percentage Rate (APR) is 5% and your unpaid balance is \$33,109.95. Fourteen days have elapsed since your last payment and the payoff is valid for 10 days.

$$(\$33,109.95 \times .05) / 365 = \$4.5356$$

The daily finance charge amount would be calculated as follows:

Daily finance charge amount x (number of days since last payment + number of days payoff is valid)	=	Total amount of finance charges
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$$\$4.5356 \times (14 + 10) = \$108.85$$

The Payoff would be calculated as follows:

Unpaid principal balance + Total amount of finance charges	=	Payoff amount
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$$\$33,109.95 + \$108.85 = \$33,218.80$$

Remember that this example is provided for your reference only. The principal and finance charge amounts are approximate with any variances affecting the early payoff amount.

## FREQUENTLY ASKED QUESTIONS

### Will I receive a refund of finance charges if I pay off the finance contract early?

You will not receive a refund of finance charges if you pay your finance contract off early. However, if you pay off your finance contract early you may pay less finance charges than if you had made payments as originally scheduled. You will receive a refund when the amount you pay Lexus Financial Services exceeds the payoff amount (unpaid principal balance, plus accrued finance charges, plus late charges if applicable and any other fees assessed, if applicable). You may contact us by telephone or online in the Account Management section at [lexusfinancial.com](http://lexusfinancial.com) to find out your payoff balance.

### Is there a penalty if I pay the finance contract off early?

No, there is no pre-payment penalty for paying off your finance contract early.

### How will I know the amount of my final payment or payoff?

When you reach the last payment of your finance contract, or if you wish to pay off early and need your current payoff, contact us:

LFS Customers  
1-800-874-7050  
Monday – Friday, 8am – 8pm (local time)  
[www.lexusfinancial.com](http://www.lexusfinancial.com)

The examples provided in this brochure are intended to help illustrate how finance charges on simple interest finance contracts are calculated. Always read your finance contract for complete terms before signing it. The terms of your finance contract will differ from the examples provided in this brochure.

Visit us at [lexusfinancial.com](http://lexusfinancial.com) to learn more about the wide range of finance, lease, vehicle protection, and payment protection programs offered by Lexus Financial Services and your participating Lexus dealer.

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