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Toyota Financial Follows Up a Green Bond With a Diversity Bond.

Toyota Financial Services recently issued what it called a “diversity & inclusion” bond, the latest in a series of issues that also included what the company said was the auto industry’s first “green” bond.

What made the recent \$350 million bond issue a “diversity & inclusion” bond was that Toyota Financial Services hired minority- and women-owned businesses as the lead underwriters.

What made the \$1.75 billion green bond “green” was that the proceeds were to be used exclusively to fund consumer loans and leases for “green” vehicles that get at least 35 mpg or the equivalent for battery-powered cars.

Qualifying models included the Toyota Avalon Hybrid, Camry Hybrid, Prius, Prius c, Prius Plug-in, Prius v and RAV4 EV; Lexus CT 200h and Lexus ES 300h, Toyota Financial Services said.

The firms Toyota Financial Services used for the diversity bond included: CastleOak Securities, L.P.; Lebenthal & Co., LLC; Mischler Financial Group, Inc.; Samuel A. Ramirez & Company, Inc.; and The Williams Capital Group, L.P., the company said.

Lebenthal & Co. is led by Alexandra Lebenthal, president and CEO. The original firm, Lebenthal & Co., was founded in the 1920s. The brand became synonymous with tax-free municipal bonds dating back to the 1970s. It’s a familiar name in the New York metro area, thanks to relentless radio advertising.

“The idea is, rather than go out and use traditional investment houses to help us sell our bonds, this is about the brokerage firms who help us sell our bonds in the marketplace all being owned by minority- and women-owned businesses,” said Mike Groff, CEO of Toyota Financial Services.

“We are working with businesses led by African-American, Hispanic and female owners, and veterans,” he said.

The latest diversity bond, which was announced last week, is the third such bond sold by Toyota Financial Services, and the first one in 2014, the company said.

The diversity bonds are just part of the funding mix for the auto lender. In a typical year, Toyota Financial Services has \$20 billion to \$25 billion in funding requirements, to refinance existing debt and to finance new asset growth, said Steve Howard, corporate manager, markets & liquidity.

“In terms of the total, it doesn’t represent a huge percentage,” he said. “But with other initiatives, it can definitely amount to an important category of our issuance.”

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