

July 12, 2004

Jonathan G. Katz
Secretary, Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549-0609

Via email to: rule-comments@sec.gov

Re: Proposed Rules on Asset-Backed Securities (File Number S7-21-04)

Dear Mr. Katz:

As one of the largest asset-backed securities (ABS) investors, MetLife's Structured Finance Group respectfully submits the following comments and additional recommendations with respect to the Proposed Rule: Asset-Backed Securities File No. S7-21-04.

We fully support the SEC's efforts to provide comprehensive and consistent disclosure requirements for ABS. We believe that codification of the proposed rules will provide guidance to the ABS market, and that the enhanced transparency will enable investors to make a better assessment of risks associated with these securities.

Comments/ Recommendations

1) Methods of accounting for delinquencies

We believe the Mortgage Bankers Association (MBA) method is most consistent with the SEC proposal of defining delinquency as a contractually required payment being 30 days or more past due. We would encourage the use of the MBA method versus the Office of Thrift Supervision (OTS) method, which is the current practice by which a vast majority of ABS sponsors and servicers report delinquencies. It is our view that the MBA methodology provides a more accurate reading on delinquency. OTS methodology lags the MBA approach in reporting delinquencies by an additional 30 days. We agree with the proposal that delinquency should be presented in 30-day increments beginning with assets 30 days delinquent. We recommend that the increments end at 120 days delinquent or at charge-off.

2) Charge-off policy

We believe it is important for ABS sponsors and servicers to disclose their charge-off policy on non-performing assets in their SEC registration. In addition to a qualitative description, we also request that the SEC require sponsors and servicers to provide information on the number and the amount of non-performing loans which qualified for charge-off but were then waived. This level of information provides key insight into servicers' and sponsors' policy regarding delinquent loans. Disclosure on charge-off policy provides investors with a better understanding of the servicer's collection efforts as well as the sponsor's underwriting processes. It is our view that a 120-day delinquent loan should qualify as non-performing and thus be charged-off. However, in light of different collection practices and regulatory requirements among ABS asset classes, we recommend at a minimum a consistent and objective standard.

3) Disclosure

- We do not feel that disclosure by asset type is necessary. However, we request the SEC expand the scope of the disclosure requirement so as to capture performance metrics across asset classes. We do not propose a comprehensive list but a number of material factors (i.e. delinquencies, gross

and net loss rate, excess spread, charge-offs, etc.) that are considered equally important in different asset classes. We believe that a broader and consistent disclosure guideline will also allow investors to pick and choose the metrics that they deem most important.

- We would strongly encourage the inclusion of static pool data of the sponsor's portfolio and its prior securitized pool as a part of required disclosures. This is an invaluable source of information for investors for the reasons cited by the SEC. Prior to issuance of new securities, sponsors provide such information to rating agencies. As such the information is readily available and easily presentable by the sponsors. Nonetheless, it is often difficult for investors to obtain such data from certain sponsors. We would request the SEC provide guidelines on how static pool information should be reported to allow for an accurate comparison between sponsors.
- In our opinion the time length on disclosure requirement of static pool data should be extended to 5 years or since the inception of the sponsor, whichever is shorter. In our opinion the 5-year period is the minimal amount of time investors need to properly evaluate performance trends in the sponsor's asset pool. As previously indicated the static pool information is available and can thus be accumulated and updated monthly on an ongoing basis and included as a part of the monthly report to investors.
- The SEC requested comments on required financial disclosure for the following third-party entities related to an ABS transaction:
 1. Unaffiliated servicers
 2. Unaffiliated originators
 3. Significant Obligors
 4. Credit Enhancement/Support Provider

In general we concur with the SEC's opinion that the 10% threshold is appropriate, since the presence of these parties may impact the performance of an ABS transaction. We also agree on the requirement for additional disclosure should any of the entities exceed a 20% threshold.

- We are encouraged by the proposal on trustee disclosures. We believe the requirement for explicit disclosure of the trustees' duties and responsibilities to ABS investors is essential. As a part of the disclosure requirement we would request the trustees be held accountable for their duties including accurately verifying monthly reports, cash transfers and distributions.

4) Computational Material

We request that the SEC require sponsors, issuers, or underwriters to provide loan level analytics prior to security registration. The availability of such analytics has improved somewhat in recent times but remains inconsistent among issuers. Given the complexity of ABS structures we deem this a necessary tool for investors to properly assess risk associated with the collateral as well as the structure.

Our opinion is that requesting loan level detail is reasonable. The assets are either acquired or originated by sponsors. As such the sponsors have loan level data available prior to issuance in the vast majority of ABS transactions particularly with consumer related ABS. It is too often that we find sponsors and underwriters grouping thousands of underlying loans into several replicated "buckets" within a computational model. We believe that only under pre-funded transactions, where information is not available, are collateral buckets applicable. The bucketed information does not provide the needed transparency nor serve the purpose of revealing the true value and risk of the asset pool. We thus request the SEC to require sponsors provide loan level data as well as "bucketed" data in its computation material in formats that can be scrutinize by investors (i.e. MS Excel, Intex's CDI files).

Additional Recommendations

5) Standardize Reported Statistical Data

Our experience is that reporting standards for statistical data provided on term sheets are not applied consistently among issuers. As such, our interpretation and understanding of a particular set of data can be drastically different from the actual or from industry practice. We highlight several areas that need additional clarification from the SEC.

- Mortgage related sponsors do not provide detail on how documentation types (Full, Limited, and Standard) are accounted for within the pool. Depending on the sponsor, a particular loan can be placed into any of the three groups. As a result, we do not feel the current documentation standards provide any useful information towards assessing the borrowers' ability to repay the loan. To provide a better sense of the borrower's credit worthiness in terms of documentation, we request the SEC provide documentation guidelines for each classification type.
- The SEC should require that sponsors disclose their reporting methods on FICO scores. The current industry practice takes the middle of three FICO scores or the average of two FICO scores provided by credit reporting agencies. However, we recognize sponsors have the option of choosing the reporting method they deem most appropriate for their business, whether sponsors choose to use one FICO score or all three scores. Sponsors should simply be clear about the approach they are using.
- The SEC should require that sponsors disclose debt-to-income ratio (DTI) of an asset pool. Sponsoring entities currently do not disclose DTI. We view this information to be particularly important as it pertains directly to the borrower's financial position, his/her capacity to repay outstanding debts, and the likelihood of default. To dissuade sponsors from manipulating DTI results we also request the SEC to standardize the calculation of DTI by including all outstanding debts within the numerator of the ratio.

6) Cross-tabular Presentation

In addition to presenting information in the typical tabular and graphical format for a single factor, we request that material statistical information be disclosed on a cross-tabulated format (i.e. FICO Scores, LTV, DTI). Two material factors would be presented relative to each other. The value of such a presentation allows investors to determine the percentage of loans within an asset pool having two weak variables simultaneously (i.e. High LTV and low FICO). The information is gathered at the origination point of each loan and should thus be easily provided by the sponsor, who is often the originator.

7) Special Arrangement with Residual Holders

We understand that sponsors and/or servicers may have side-agreements with the residual holder of an ABS transaction for a variety of reasons and that this information is not disclosed to note holders. Nonetheless, it is our opinion that the side-letter may affect the performance of an asset pool under certain circumstances, which in turn affects the structural protection for note holders. As such, the existence of side-agreements should be disclosed in the offering memorandum.

In the same vein, should the residual holder have any affiliation with any parties related to the transition (i.e. Wrap provider, Sponsor, Servicer, Trustee), we believe this should also be disclosed in the offering memorandum.

8) Ongoing Reporting

In addition to delinquency and loss data of an asset pool, we request the SEC to clarify and include the following items to be in compliance with ongoing reporting requirements. Again, the information is readily available but is often difficult to obtain and not clearly defined.

- Modification, Extension, or any changes to the original contractual agreement of the underlying loans – Performance, such as delinquencies, of an asset pool can easily be manipulated with

modifications to the terms of the underlying loan. This has been an acceptable loss mitigation technique of sponsors to enhance the actual performance of the pool. We thus request the SEC to provide a clear definition of any changes to the original agreement and for sponsors to provide the cumulative amount of modification as a percentage of the original pool balance and/or by the actual dollar amount on a monthly basis. Further consideration should be given to types of modification and their impact on the pool (i.e. extends maturity or reduces interest rates).

- Loss Severity – The level of recovery value after the underlying asset experiences a default affects credit risk protection to investors within the ABS structure; however this information is seldom provided to the investing community. In addition to the monthly loss severity experience of an asset pool, we believe servicers should also include information on the recidivism rate of habitually delinquent accounts. This information allows investors to better differentiate between servicers and provide transparency to the recovery process and the true quality of the asset pool.
- Voluntary Prepayment – Prepayment information is readily available to investors; however, the prepayment speed reported as a percentage of the pool often includes foreclosures, bankruptcies and real estate owned among other variables. These situations are considered “involuntary” prepayments as they exit the pool not through the natural rate of attrition. We thus ask the SEC to require sponsors and/or servicers provide voluntary prepayments speed, reflecting the natural course of a borrower making payments that is more than contractually required.

We appreciate the SEC’s initiative to provide standards and guidance to the ABS market and to give us an opportunity to express our concerns about issues relating to the current state of the ABS market. We fully recognize the difficulty in providing a balanced proposition for all ABS participants. Nonetheless, we believe our comments and recommendations are realistic and achievable, as they are based on existing practices or on readily available information. Thank you for your attention.

Yours sincerely,

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