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Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

E-mail address: rule-comments@sec.gov

Attention: Jonathan G. Katz, Secretary

Re: File No. S7-21-04
Asset-Backed Securities
Release Nos. 33-8419; 34-49644

Ladies and Gentlemen:

AIG Credit Corp. ("AIG Credit") appreciates the invitation in Release 33-8419; 34-49644 to comment on proposed registration, disclosure and reporting requirements (the "Proposal") for asset-backed securities ("ABS") under the Securities Act of 1933, as amended and the Securities Exchange Act of 1934, as amended.

AIG Credit is a subsidiary of American International Group, Inc. which, through its subsidiaries, engages in a broad range of insurance and financial services activities. AIG Credit is a holding company which, through several subsidiaries (the "Premium Finance Companies"), engages in the business of extending credit to commercial insureds to finance property and casualty insurance premiums (such credits, the "Receivables"). AIG Credit, through the Premium Finance Companies (and utilizing a special-purpose entity and a "master trust"), is a frequent sponsor of ABS backed by the Receivables, on a delayed, or "shelf" basis pursuant to registration statements filed with the Securities and Exchange Commission on Form S-3. AIG Credit has sponsored registered ABS for ten years.

A. The Proposed Asset Addition Limits

The Proposal includes a definition of "asset-backed securities" that permits master trust securities to be treated as ABS only if "[t]he offering related to the securities contemplates adding additional assets to the pool that backs such securities in connection with future issuances of asset-backed securities backed by such pool." In addition, the definition of “asset-backed securities” would limit the addition of assets to an amount equal to 25% of the offering proceeds (the “Percentage Limit”) and would not permit the addition of assets after the first year following the sale of ABS (the “One-Year Limit” and together with the Percentage Limit, the “Asset Addition Limits”) for ABS backed by fixed receivables. Receivables that “by their nature revolve” would not have to comply with the Asset Addition Limits. The Asset Addition Limits are intended to clarify the requirement that asset-backed securities be backed by a “discrete pool” of assets. The “discrete” requirement is found in the current rules regarding eligibility of ABS issuers to use Form S-3.

B. Summary of Positions

AIG Credit fully supports the Commission's objectives to clarify and update the Securities Act registration requirements for ABS offerings, and to “codify” many existing practices that have developed through the no-action letter process and the registration statement comment process with the Commission’s staff (the “Staff”). While we generally support the Proposal, we oppose the Asset Addition Limits. In our view, the Asset Addition Limits would have the practical effect of prohibiting AIG Credit from sponsoring (directly or indirectly) public ABS in the future. This result would be inconsistent with the Commission’s stated intent to “codify” practices under which AIG Credit has sponsored ABS for ten years. We also believe, as discussed below, that the Asset Addition Limits are not a necessary or even effective means to achieve the Commission’s stated goals of regime consistency and informed investment decision-making.

C. Effects on AIG Credit

AIG Credit, like many ABS sponsors, adds assets to its ABS pool on a regular basis and not solely in connection with issuances of additional securities. AIG Credit must do so because of the short maturities of its Receivables (typically nine months). The Receivables have many of the characteristics of revolving accounts; i.e., many customers are repeat customers undertaking an obligation identical to their last obligation, the loan forms are identical, since they are mandated by state law, and the Receivables exhibit very consistent loss, delinquency and yield performance over time. For this reason among others, the market and the rating agencies have accepted the Receivables as appropriate for a revolving master trust structure. However, the Receivables are not revolving in legal form; the premium finance business is highly regulated, and to our knowledge the regulators have not approved the use of revolving arrangements for the origination of premium finance obligations. If the proposed definition of “asset-backed securities” were adopted, AIG Credit would no longer be able to publicly sponsor ABS securities on a “shelf” basis on Form S-3, because its ABS would be unable to meet the definition of “asset-backed securities.”

Lacking the ability to file under Form S-3, AIG Credit's only option for public ABS offerings would be Form S-1, the use of which would increase its expenses and decrease its flexibility in responding to market opportunities. However, while Form S-1 may remain technically available to AICCO under the Proposal, the proposed instructions to Form S-1 do not appear to permit a sponsor whose securities do not satisfy the definition of "asset-backed securities" to use ABS disclosure practices. Instead, AIG Credit apparently would be required to use the disclosure regime applicable to traditional operating companies, including financial statements meeting the requirements of Regulation S-X. This result would be unfortunate because ABS disclosure practices have developed to address the specific characteristics of ABS. The marketplace does not view traditional financial statements as meaningful for ABS sponsors. We see no public benefit to requiring ABS sponsors such as AIG Credit to use disclosure conventions developed for operating companies rather than those developed for ABS. The marketplace and the rating agencies have accepted AIG Credit's Receivables as appropriate for ABS disclosure and reporting practices. If the adoption of the Proposal forces AIG Credit and other similar sponsors to use traditional financial statements and disclosure in their prospectuses, then the Proposal may render such sponsors' securities unmarketable as public securities.

If AIG Credit could not market its ABS as public securities, it might be forced for the first time to resort to the "Rule 144A" market. However, AIG Credit has devoted significant resources over the past ten years to the development of an investor base that understands its business and its ABS. Many of these investors, for regulatory or other reasons, do not invest in Rule 144A securities, or do so subject to significant restrictions. If AIG Credit were forced to use the 144A market, it might lose much of this investor base, which would affect the pricing of future offerings. In addition, the illiquidity of Rule 144A securities relative to registered securities would itself have an impact on pricing. As a result of these factors, the Proposal likely would increase significantly AIG Credit's cost of funds. While AIG Credit probably could pass some or all of these costs on to its premium finance borrowers, AIG Credit believes that any increased costs to it or its customers are not justified by any benefit associated with the Proposal's restrictions on additions of assets.

D. The Asset Addition Limits are Inconsistent with the Commission's Stated Goals

The Asset Addition Limits are provided as clarifications to the requirement that ABS be backed by a "discrete pool." The introduction to the Proposal indicates that the drafters want to "prevent a level of portfolio management that is not … consistent with this registration and reporting regime." We might call this the "Regime Consistency Goal." They also state that "the lack of a 'discrete' requirement would make it difficult for an investor to make an informed investment decision when the composition of the pool is unknown or could change over time." We might call this the "Informed Investment Decision Goal." While we support the continued use of the "discrete" requirement, we oppose the Asset Addition Limits. We believe the Asset Addition Limits are unduly restrictive and not necessary to achieve the drafters' goals restated above.

The Regime Consistency Goal

With respect to the "Regime Consistency Goal," we note that the ABS disclosure and reporting regime in place today has been developed over many years through the combined efforts of rating agencies, underwriters, the securities law bar, sophisticated institutional investors and the Staff. These participants have brought to the market a natural system of checks and balances. The US ABS market has been remarkably free of abuses and has become a model for the development of similar markets around the world.

The proposed Asset and Addition Limits are not "consistent" with the current regime. In fact, they are quite inconsistent. Today, ABS issuers add assets to master trusts in two ways: (i) through the creation of new assets in revolving accounts or relationships initially dedicated to an asset pool (e.g., new credit card receivables) and (ii) through the addition of new assets, including the addition of new accounts (e.g., premium finance loans or new credit card accounts). The Proposal would permit the first type of addition by not restricting new assets arising in relationships that "by their nature revolve," but would so limit the second type of addition so as to substantially disadvantage some issuers. A quick review of existing registration statements for master trust structures reveals that *virtually all of them permit and even require asset additions of both types*. For sponsors that finance revolving credits (e.g., credit card accounts), this flexibility is necessary because revolving credits can change over time due to customer habits and other factors, and the flexibility to add accounts is necessary to ensure that the related ABS are at all times backed by a sufficient balance of receivables. For sponsors that finance short-term, closed-end credits, which in many cases are of a self-liquidating nature (e.g., trade receivables, premium finance loans), this flexibility is necessary to permit the issuance of securities with maturities longer than the average maturity of the pool assets.

Far from being "consistent" with the current ABS regime, the Proposal would substantially impair the flexibility of widely used ABS structures and would actually preclude some sponsors, including AIG Credit, from issuing ABS publicly. As a result, many sponsors and some asset classes would likely cease public issuance of ABS and resort to the "Rule 144A" market. Oversight of these sponsors and asset classes by the Commission and the Staff, which we believe has been an important factor in the development of the current regime, would end.

The Informed Investment Decision Goal

We also do not believe that the proposed restrictions on asset additions and revolving periods are a necessary or even effective means of achieving the Informed Investment Goal.

An ABS issuer that could add any type of assets to the pool at any time would certainly make an informed investment decision difficult. However, such an issuer probably could not get its securities rated, and the lack of information about future assets would be reflected in the price for those securities.

Rating agencies, underwriters and investors address the need for information about future asset additions by requiring disclosure about the limitations on such additions (which are often limited in frequency and amount and often require confirmation of the securities' ratings by the rating agencies), disclosure about the types of assets that may be added (which are almost always required to be of the same type as in the pool initially) and disclosure about the origination standards employed by the sponsor and the contractual provisions (or lack thereof) limiting any change in such standards.

When the parties to an ABS transaction do a good job at providing such disclosure, investors in a transaction that permits asset additions may know more about the future assets than investors who receive poor disclosure about a fixed pool know about the original assets.

The Proposal's distinction between assets that revolve and those that do not revolve does not appear justified. In the case of credit card accounts (the most commonly securitized revolving asset), decisions by the sponsor can cause very significant changes in an ABS pool. For instance, if a credit card lender raises the rate of interest that it charges obligors, obligors of better credit quality will tend to reduce their balances while obligors of lower credit quality may not do so to as great a degree. If the lender also increases credit limits, obligors of lower credit quality may increase their balances. To make things more interesting, the lender might begin accepting foreign currency charges as well, introducing foreign currency receivables to the ABS pool. Thus, a pool of revolving accounts can experience a dramatic change in its risk/reward characteristics without the addition or deletion of accounts.

By contrast, the characteristics of a pool comprised of non-revolving assets may not change at all if the sponsor does not change its origination practices, despite the constant addition of new assets.

We believe, then, that the key to an informed investment decision is not limitations on asset additions or revolving periods, but complete disclosure. The marketplace and the rating agencies have dictated, and we urge the Commission to codify, the use of ABS disclosure practices for ABS master trust structures with asset addition features.

E. <u>Conclusion</u>

The Asset Addition Limits are inconsistent not only with the drafters' stated rationale, but with the historic focus of the US securities laws. Historically the focus of these laws has been on achieving full disclosure of facts material to investors, rather than on forming judgments as to the merits of particular types of securities or issuers. Most of the Proposal is admirably consistent with tradition in this regard. The Proposal's Asset Addition Limits on the other hand, amount to an unwarranted adverse judgment about the merits of securities with these features. We urge the removal of the Asset Addition Limits.

We hope the Commission finds these comments helpful. We would be happy to meet with the Staff to discuss these comments further.

Respectfully submitted,

AIG CREDIT CORP.

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President