



Moody's Investors Service

## Rating Action: **Moody's downgrades Spanish auto loan ABS BBVA Finanzia Autos 1, FTA**

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Global Credit Research - 23 Oct 2009

### **EUR543.9 million of rated securities affected**

Frankfurt, October 23, 2009 -- Moody's Investors Service has today downgraded the following classes of notes issued by BBVA Finanzia Autos 1, FTA:

- EUR487.9 million Class A notes: Downgraded to A2 from Aaa; previously on 2 July 2009 placed on review for possible downgrade
- EUR26.8 million Class B notes: Downgraded to Ba3 from A1; previously on 2 July 2009 placed on review for possible downgrade
- EUR29.2 million Class C notes: Downgraded to Ca from Baa1; previously on 2 July 2009 placed on review for possible downgrade

Moody's says that the downgrades were prompted by the rapidly deteriorating collateral performance and the greater than expected weakening of macro-economic conditions in Spain during the past year. Today's rating action takes into account revised assumptions for the mean default rate, standard deviation and recovery rate to reflect the worse than expected performance. The magnitude of the downgrade reflects current credit enhancement levels, which, combined with the revised assumptions, lead to a significantly higher expected loss on the rated notes.

The rapid deterioration in performance is evidenced by the swift reduction of the reserve fund from the target level of EUR13.52 million to EUR7.24 million between October 2008 and July 2009. As of July 2009, the outstanding reserve fund level was significantly lower than the outstanding amount of 90 days plus delinquencies which reached 4.42% of current pool balance. Already in July 2008, 90 days plus delinquencies exceeded 2.2% and the early amortisation trigger was breached after four replenishment periods (eight replenishment periods were expected). As of August 2009, cumulative artificial write-offs were 2.61% of total securitised pool balance compared to 0.50% a year ago, while cumulative 90 days plus delinquencies (excluding cumulative write-offs) increased to 8.21% from 4.82% of total securitised pool balance during the same period. As of July 2009, the pool factor was 68%.

During its analysis, Moody's assessed macro-economic indicators as well as information made available from the management company Europea de Titulización, S.G.F.T, S.A. (EdT). As part of its collateral analysis, Moody's analysed forecasts for the main macro-economic drivers behind a collateral deterioration, namely, unemployment and GDP contraction. For instance, the unemployment rate in Spain, which could potentially surpass 20% in 2010, was assessed. As of Q2 2009, the unemployment rate in Spain had reached 17.9%. Subsequently, the current amount of written-off loans was taken into consideration and a roll rate analysis was conducted for the non-written off pool portion. Moody's adjusted the cumulative mean default rate of 3.5% to 9.2% of total securitised pool balance and the standard deviation of 1.05% to 2.3%. The key driver behind the increased cumulative mean default rate is the expected increase in unemployment in Spain especially in light of the considerable exposure of this pool to Andalusia and Valencia which are the regions with the highest unemployment rates in Spain.

The recovery rate was decreased to 20% from the original assumption of 20% to 40% to reflect the stressed macro-economic environment in Spain. In particular, the potential oversupply in the automobile market in Spain in the near term, which would add pressure to used automobile prices, could affect the recovery rate given that the portfolio consists of auto loans. The revised recovery rate is also based on the fact that the revised mean default assumption is primarily focusing on 12 months plus delinquencies rather than 180 days plus delinquencies as at closing. As of August 2009, the recovery rate on loans delinquent for more than 12 months was below 8%. Moody's notes that re-performing loans might artificially elevate the overall recovery rate of a pool since these loans have a recovery rate of 100%.

BBVA Finanzia Autos 1, FTA closed in May 2007. The transaction is backed by a portfolio of loans granted to individuals resident in Spain to finance the acquisition of a new or a used car. The loans were originated

between 2005 and January 2007. At present, almost 50% of the outstanding pool was originated in 2006. The loan of longest duration matures in February 2017. All the loans bear a fixed interest rate. The pool is concentrated in the regions of Catalonia (30%), Andalusia (25%) and Valencia (10%).

The ratings address the expected loss posed to investors by the legal final maturity (April 2021). In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par on or before the final legal maturity date.

The principal methodologies used in rating this transaction was Moody's "The Lognormal Method Applied to ABS Analysis", published in July 2000 and "Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction," published in December 2008 and available on [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Further information on Moody's analysis of this transaction is available on [www.moody.com](http://www.moody.com). In addition, Moody's publishes a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at [www.moody.com/SFQuickCheck](http://www.moody.com/SFQuickCheck).

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