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New Issue: BANCAJA - BVA VPO 1 FONDO DE TITULIZACION DE ACTIVOS

€390 Million Mortgage-Backed Floating-Rate Notes

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€390 Million Mortgage-Backed Floating-Rate Notes

Ratings Detail

Class	Rating*	Amount (mil. €)		Total available credit support (%)¶		Interest	Legal final maturity
		At March 24, 2011	At closing on April 7, 2009	At March 24, 2011	At closing on April 7, 2009		
A	A (sf)	327.9	371.4	11.95	6.72	Three-month EURIBOR plus 30 bps	July 23, 2051
B	NR	7.8	7.8	9.70	4.72	Three-month EURIBOR plus 70 bps	July 23, 2051
C	NR	5.1	5.1	8.23	3.41	Three-month EURIBOR plus 120 bps	July 23, 2051
D	NR	5.7	5.7	6.59	1.95	Three-month EURIBOR plus 200 bps	July 23, 2051

*Standard & Poor's ratings address timely interest and ultimate principal. We assigned the ratings on March. 24, 2011. ¶The transaction closed on April 7, 2009, but we were not engaged to rate the notes at that time. EURIBOR—Euro interbank offered rate. NR—Not rated. N/A—Not applicable.

Transaction Participants	
Originators	Caja de Ahorros de Valencia Castellón y Alicante and Banco de Valencia, S.A.
Sellers	Caja de Ahorros de Valencia Castellón y Alicante and Banco de Valencia, S.A.
Mortgage administrators/servicers	Caja de Ahorros de Valencia Castellón y Alicante and Banco de Valencia, S.A.
Security trustee	Europea de Titulización, S.G.F.T., S.A.
Interest swap counterparty	Caja de Ahorros de Valencia Castellón y Alicante
Treasury account provider	Banco Español de Crédito, S.A.
Paying agent	Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid)

Supporting Rating	
Institution/role	**Rating**
Caja de Ahorros y Monte de Piedad de Madrid as paying agent	A-/Watch Neg/A-2
Banco Español de Crédito, S.A. as treasury account provider	AA/Negative/A-1+

Transaction Key Features*	
Closing date	April 7, 2009
Date of assigning ratings	March 24, 2011
Collateral	Subsidized and nonsubsidized prime mortgage loans secured by first-ranking mortgages
Principal outstanding of the pool (mil. €)	340.6
Country of origination	Kingdom of Spain
Concentration	Valencia (77.93%), Castilla-La Mancha (5.17%), and Murcia (4.67%)
Property occupancy	100% first homes
Weighted-average LTV ratio (%)	61.12

Transaction Key Features* (cont.)	
Average loan size balance (€)	50,840
Loan size range (€)	252 to 639,439
Weighted-average seasoning (months)	76
Weighted-average asset life remaining (months)	199
Weighted-average interest rate (%)	2.42
Arrears	1.58% of loans in arrears for more than 30 days
Redemption profile	100% amortizing loans
Cash reserve (% of the outstanding balance of the notes)	6.59
Mortgage priority	100% first-lien mortgages
Jumbo loans (higher than or equal to €400,000) (%)	0.84

*Collateral as of March 31, 2011. LTV—Loan-to-value.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to BANCAJA - BVA VPO 1 FONDO DE TITULIZACIÓN DE ACTIVOS' mortgage-backed floating-rate class A notes.

This residential mortgage-backed securities (RMBS) transaction closed on April 7, 2009, but we were not engaged to rate the notes at that time. Since closing, the class A notes have amortized to €327,858,623.88 from an initial amount of €371,400,000.00.

The transaction securitizes a pool of state-subsidized "Vivienda de Protección Oficial" (VPO) and nonsubsidized mortgage loans originated by Caja de Ahorros de Valencia Castellón y Alicante (Bancaja) and Banco de Valencia, S.A. in Spain.

Notable Features

The issuer was established as a "fondo de titulización de activos". The transaction was structured at closing with a swap and a reserve fund that currently represents 6.59% of the outstanding balance of the notes.

Bancaja and Banco de Valencia act as servicers and Banco Español de Crédito, S.A. (AA/Negative/A-1+) and Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid; A-/Watch Neg/A-2) act as treasury account provider and paying agent, respectively. As with other Spanish transactions, interest and principal are combined into a single priority of payments, with deferral-of-interest triggers. The transaction structure also includes a swap—that Bancaja provides—to mitigate the basis risk.

Strengths, Concerns, And Mitigating Factors

Strengths

- Bancaja is an experienced originator of mortgage loan securitizations. It currently has eight mortgage-backed securities (MBS) and 13 RMBS transactions.
- The pool has a low weighted-average loan-to-value (LTV) ratio of 61.12%, with 90.20% of the loans having LTV ratios lower than 80.00% (see "Collateral Description").

- The pool has a high seasoning. On average, borrowers have been paying installments for approximately 76 months (see "Collateral Description").
- Credit enhancement (including subordination and the cash reserve) provides protection to the noteholders.
- Since closing, the cash reserve has been at its required level. At the last payment date, the reserve fund was increased to €22,815,000, which currently represents 6.59% of the outstanding balance of the notes. In contrast to most reserve funds seen in Spanish securitizations, the reserve fund amount is fixed with no possibility of amortization (see "Reserve fund").
- There are interest-deferral triggers that are protective toward senior noteholders (the rated note), in cases of poor transaction performance. Hitting this interest-deferral trigger would lead to the issuer using available funds that could have been used to pay interest from the junior notes to repay the most senior notes. This interest-deferral trigger structure is typical in Spanish securitizations and credit enhancement is sized accordingly for the junior notes (see "Priority Of Payments").

Counterparty related concerns and mitigating factors

As in most structured finance transactions, there is counterparty risk derived from the reliance on third parties to either make financial payments or hold funds for the transaction. The specific counterparty risks and the way they are, in our opinion, mitigated in the transaction are as follows:

- Commingling risk: This arises from the treasury account provider, the paying agent, and the servicing roles. Currently, the risk for the first two is adequately mitigated at the 'A' level through sufficiently highly rated counterparties and a replacement framework consistent with our criteria. Risk derived from the servicers' accounts is addressed through existing credit enhancement.
- Basis and resetting risks: The notes are referenced to three-month Euro interbank offered rate (EURIBOR) and loans in the pool are referenced to 12-month EURIBOR and two other indices that are set by the Spanish Housing Ministry ("Plan Vivienda 1998/2001" and "Plan Vivienda 2002/2005"), therefore noteholders are exposed to basis and resetting risk. There is a swap agreement in place to cover those risks, which guarantees a margin of 50 basis points over three-month EURIBOR. However, as we do not rate the swap counterparty, we have not given any credit in our modeling to the cash flows coming from the agreement. We have therefore assumed that the swap agreement is not available in the transaction and have instead stressed the basis and resetting risks by calculating the maximum historical difference between the reference rates of the loans in the pool and the reference rate of the notes. We then applied a haircut at each rating level, and in our opinion this risk is mitigated through existing credit enhancement.

Additional concerns and mitigating factors

- The class B, C, and D junior notes could amortize pro rata, affecting the earlier amortization of the senior notes. This feature is typical in Spanish securitizations, and this transaction would have to meet certain conditions before the pro rata amortization of the junior notes (see "Redemption of the notes").
- Currently, more than 1.58% of the underlying mortgage loans are in arrears for more than 30 days. We increased the weighted-average foreclosure frequency (WAFF) stress assumption for these mortgage loans, depending on the number of days the loan was delinquent. We have also stressed delinquencies in our cash flow analysis by assuming that these will be one-third of the default rate at each rating level, and we assume that this percentage of loans will not pay during a period of 18 months.
- The borrowers selected to obtain a VPO mortgage loan are those that in the current market conditions would find it difficult to buy a non-subsidized property. We have taken this risk into account in our credit analysis of the

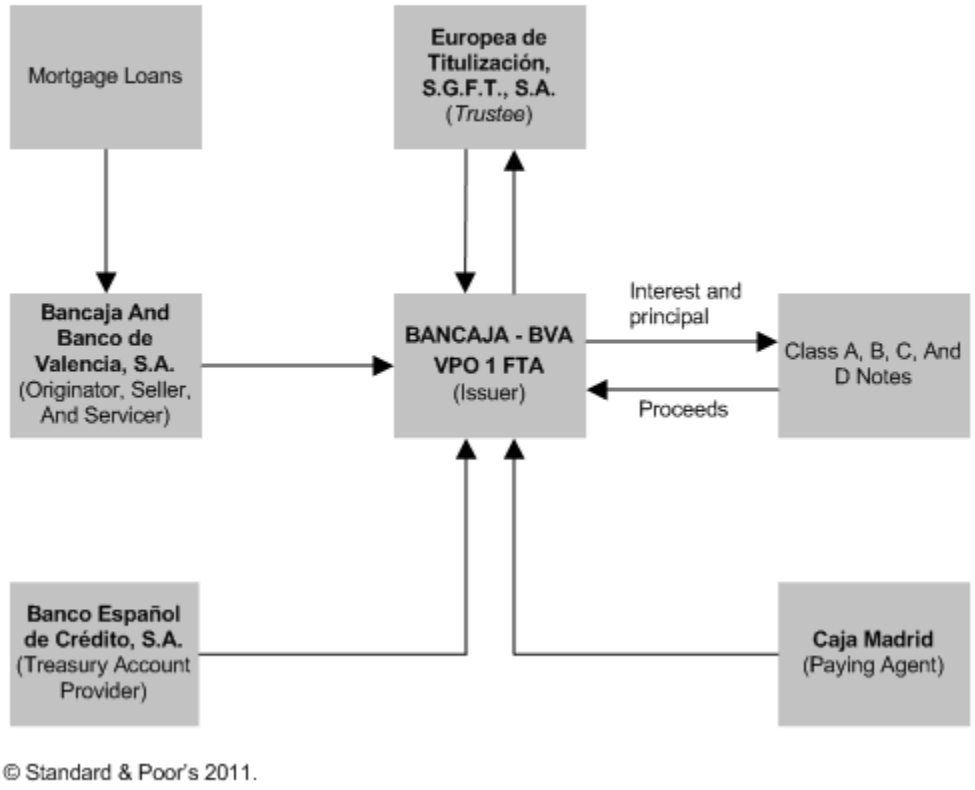
pool.

- There could be a risk that the Spanish government might delay subsidy payments in cases of significant economic stress. We have assumed different stresses for this commensurate with the different rating levels.
- Valencia is Bancaja's home region: The pool concentration in this region is significant at 77.93%. We took regional concentrations into account when analyzing the portfolio by increasing our weighted-average foreclosure frequency (WAFF) stress assumption.
- Of the pool, more than 2% represents loans granted to foreign borrowers. As the originator has confirmed, this type of borrower tends to perform worse than non-foreign borrowers. We have increased the foreclosure frequency of these loans in our credit analysis.
- Of the pool, more than 14% could represent loans granted to self-employed borrowers. We received confirmation that 7.92% of the borrowers of the pool are self-employed borrowers, but as we received no information for another 6.68% of the pool we have considered them to be self-employed borrowers. We have increased the foreclosure frequency of these loans in our credit analysis.
- Loans originated by brokers represent more than 5% of the pool. We have also increased the foreclosure frequency of these loans in our credit analysis.
- VPO mortgage loans allow borrowers who become unemployed to have a principal and interest grace period of a maximum of two years, which increases the remaining term of the loan. In the transaction documents, mortgage loan extensions will be limited to 10%. We have modeled the potential payment shock that these borrowers could face when they need to start paying principal and interest in our credit analysis and we have also modeled the grace period for these loans as a liquidity stress in our cash flow analysis.

Transaction Structure

On the closing date, Bancaja and Banco de Valencia, the originators and servicers of the mortgage loans, sold a closed pool of credit rights, mortgage certifications ("certificados de transmisión de hipoteca"; CTHs) to the issuer ("fondo") (see chart 1).

Chart 1: BANCAJA - BVA VPO 1 FONDO DE TITULIZACIÓN DE ACTIVOS
Transaction Structure



Spanish mortgage securitization law requires the notes to be issued by a fondo, a special-purpose entity (SPE), whose activities are managed by a fund manager, in this case Europea de Titulización, S.G.F.T., S.A., an independent management company authorized by the Ministry of Economy and Treasury. The fund manager represents the noteholders' interests and enters into various contracts for the issuer.

The issuer's only duties are to buy these credit rights, issue the notes, and conduct related activities. As servicer, Bancaja is responsible for the day-to-day administration and ongoing servicing of the underlying loan portfolio. Europea de Titulización, S.G.F.T., is responsible for producing all reports and accounts for third parties in connection with the performance of the mortgages.

The originators of the assets are Bancaja and Banco de Valencia, which originate mortgage loans to individuals mainly through their branch networks. Our review of Bancaja's and Banco de Valencia's origination processes and collection and default management procedures indicates that they can perform the functions necessary for the collection of borrower payments and arrears and repossessions management.

Priority of payments

On each quarterly interest payment date, the issuer pays in arrears the interest due to the noteholders. To make the payments, the issuer's available funds include ordinary and extraordinary interest received under the mortgage

loans, net amounts received from the swap, interest earned on the reinvestment account, the reserve fund, principal received under the loans, and any other proceeds received in connection with the mortgage loans.

The issuer applies all interest and principal received to pay principal and interest due under the notes in the following sequence:

- Fees and expenses;
- Net payments under the swap agreement (other than swap termination payments due to a default or breach of contract by the issuer)
- Interest on the class A notes;
- Interest on the class B notes (when interest is not deferred);
- Interest on the class C notes (when interest is not deferred);
- Interest on the class D notes (when interest is not deferred);
- Principal on the class A notes;
- Principal on the class B notes;
- Principal on the class C notes;
- Principal on the class D notes;
- Interest on the class B notes (when interest is deferred);
- Interest on the class C notes (when interest is deferred);
- Interest on the class D notes (when interest is deferred);
- Replenishment of the reserve fund up or down to its required level;
- Swap termination payments due to a default or breach of contract by the swap counterparty;
- Interest on subordinated loan to fund the reserve fund;
- Principal on subordinated loan to fund the reserve fund;
- Interest on subordinated loan to fund initial expenses;
- Principal on subordinated loan to fund initial expenses; and
- Junior items.

The interest on the class B, C, and D notes is subject to a deferral on a given payment date to a lower position in the waterfall:

- The issuer defers class B interest if the cumulative gross default rate, as a percentage over the initial balance of the pool, exceeds 12%.
- The issuer defers class C interest, if the cumulative gross default rate, as a percentage over the initial balance of the pool, exceeds 10%.
- The issuer defers class D interest, if the cumulative gross default rate, as a percentage over the initial balance of the pool, exceeds 8%.

Defaulted loans are defined in the offering circular as loans in arrears for more than 18 months, if not classified as defaulted loans before by the trustee.

Redemption of the notes

The issuer pays the amortization amount with the available funds. This amount is equal to the outstanding note balance, minus the outstanding loan balance in arrears for less than 18 months on the last day of the month previous to the payment date.

From closing, amortization of the notes occurs sequentially, if pro rata conditions are not met, starting with:

- The class A notes, until fully redeemed;
- The class B notes, once the class A notes are fully redeemed;
- The class C notes, once the class B notes are fully redeemed; and
- The class D notes, once the class C notes are fully redeemed.

The conditions for the pro rata amortization of the class B, C, and D notes are that:

- The ratio of the aggregate balance of delinquent loans to the aggregate balance of nondefaulted loans is below 1.10%, 0.85%, and 0.60% for classes B ,C, and D, respectively;
- The total outstanding principal balance of the class B, C, and D notes represents at least double their initial sizes, 4.000%, 2.615%, and 2.923%, respectively, of the outstanding principal balance of all the notes;
- The cash reserve is at the required amount after the previous payment date; and
- The total outstanding balance of the nondefaulted mortgage loan portfolio is equal to or greater than 10% of the initial balance of the mortgage loan portfolio.

Unless redeemed earlier, the notes will redeem at their maturity 36 months after the maturity of the longest-term loan in the pool. The notes may fully redeem if the balance of the collateral falls below 10% of its original balance and the option is exercised.

Reserve fund

The structure benefits from a cash reserve fund, which was fully funded at closing via the subordinated loan. The reserve fund is fixed for the life of the transaction and the issuer uses it on each payment date to pay the different items in the priority of payments described above, until the reserve fund replenishes.

On the most recent payment date, the reserve fund amount was increased to €22.815 million from €7.605 million, representing 6.59% of the outstanding balance of the notes. Before that, on the previous payment dates, the reserve fund was always at its required level.

Cash collection arrangements

Borrowers make direct debit payments on their mortgage loans to Bancaja's and Banco de Valencia's accounts. They then transfer these amounts two days after being received to the treasury account in the name of the fund held at Banco Español de Crédito, S.A. (Banesto). On the same date, all the amounts standing in the treasury account are transferred to the paying agent account held at Caja Madrid to make payments under the waterfall. As in other Spanish securitizations, we have stressed commingling risk as a loss from Day 1 of the transaction.

Counterparty downgrade provisions

To mitigate the counterparty risk in this transaction, the updated transaction documents contain downgrade provisions for the treasury account and the reinvestment account agreements.

If the account provider's rating falls below a rating trigger it becomes an ineligible counterparty.

For the treasury account provider this trigger is 'A', and if it becomes ineligible it has 60 calendar days to:

- Find a replacement with a long-term rating of at least 'A'; or
- Find an adequate guarantor with a long-term rating of at least 'A'.

For the paying agent account provider the trigger is 'BBB', and if it becomes ineligible and it has 60 calendar days to:

- Find a replacement with a long-term rating of at least 'BBB'; or
- Find an adequate guarantor with a long-term rating of at least 'BBB'.

The downgraded counterparty bears all the costs of the remedies.

For our 2010 counterparty criteria see "Counterparty And Supporting Obligations Methodology And Assumptions," published on Dec. 6, 2010.

Collateral Description

The pool as of March 31, 2011, comprises 6,699 loans with a weighted-average LTV ratio of 61.10% and a weighted-average seasoning of 76 months. Bancaja and Banco de Valencia originated the loans in the pool between 1999 and 2007 and are all amortizing, with monthly installments being paid.

The pool comprises mortgage loans granted to individuals for the purpose of purchasing a residential property, mainly state-subsidized VPO residential properties.

Of the original pool, 19.60% of the loans had an LTV ratio higher than 80% (see charts 2 and 3).

Chart 2

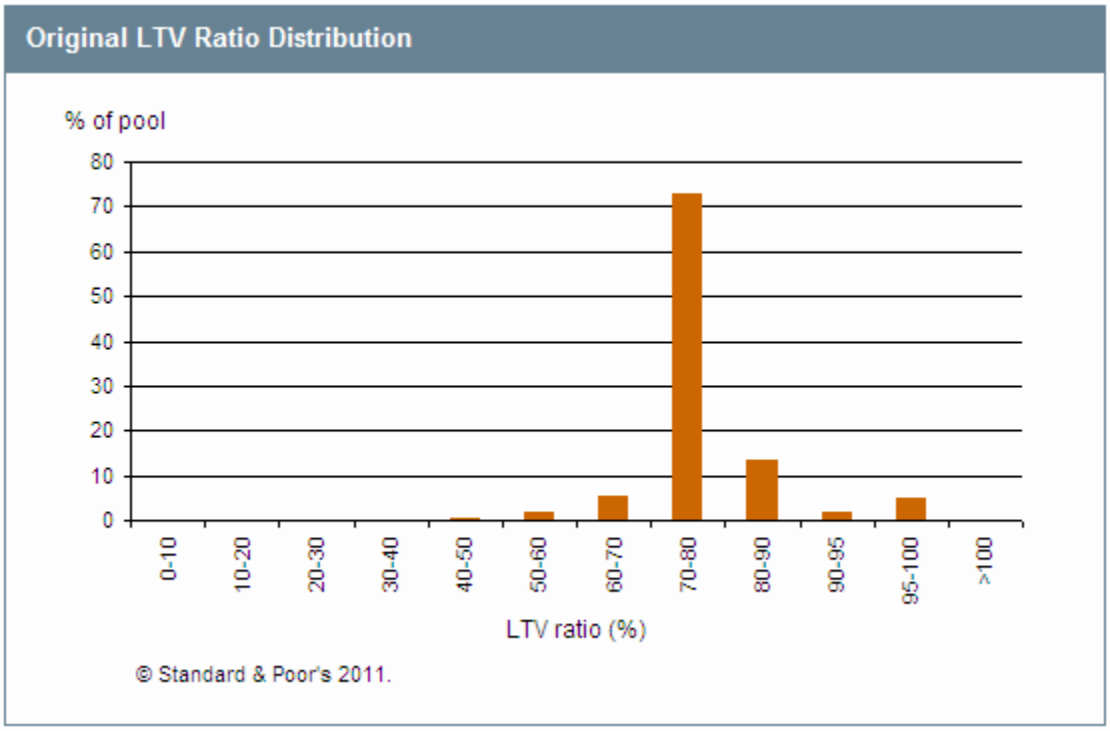
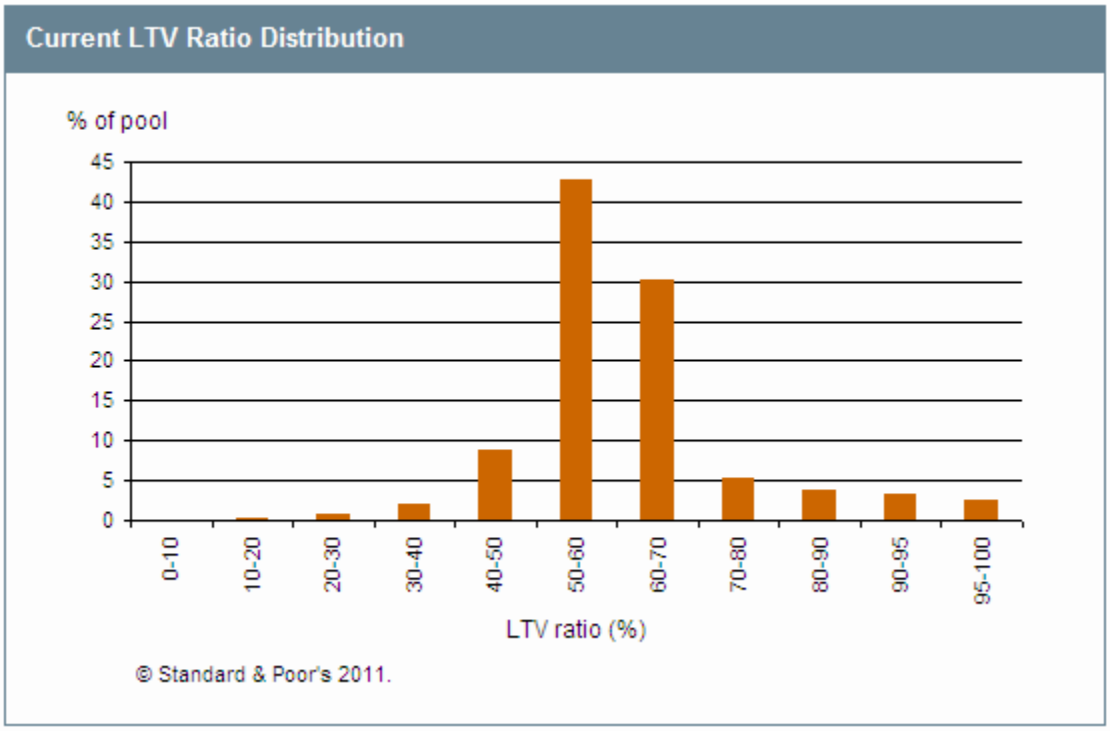
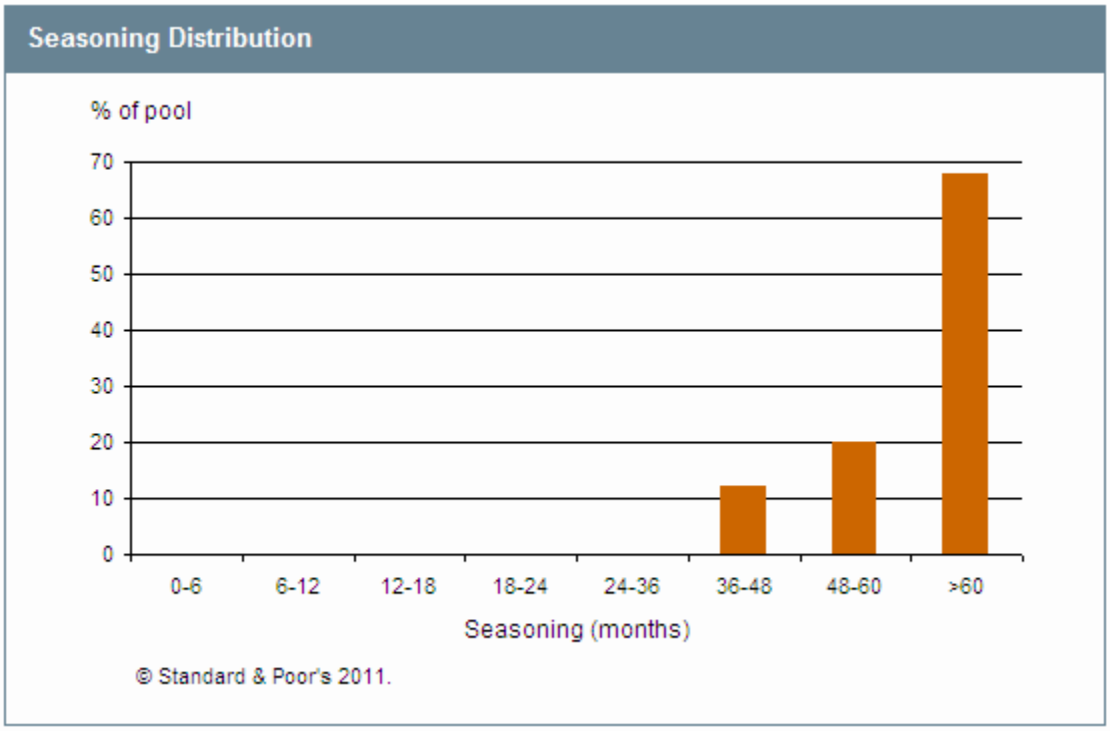


Chart 3



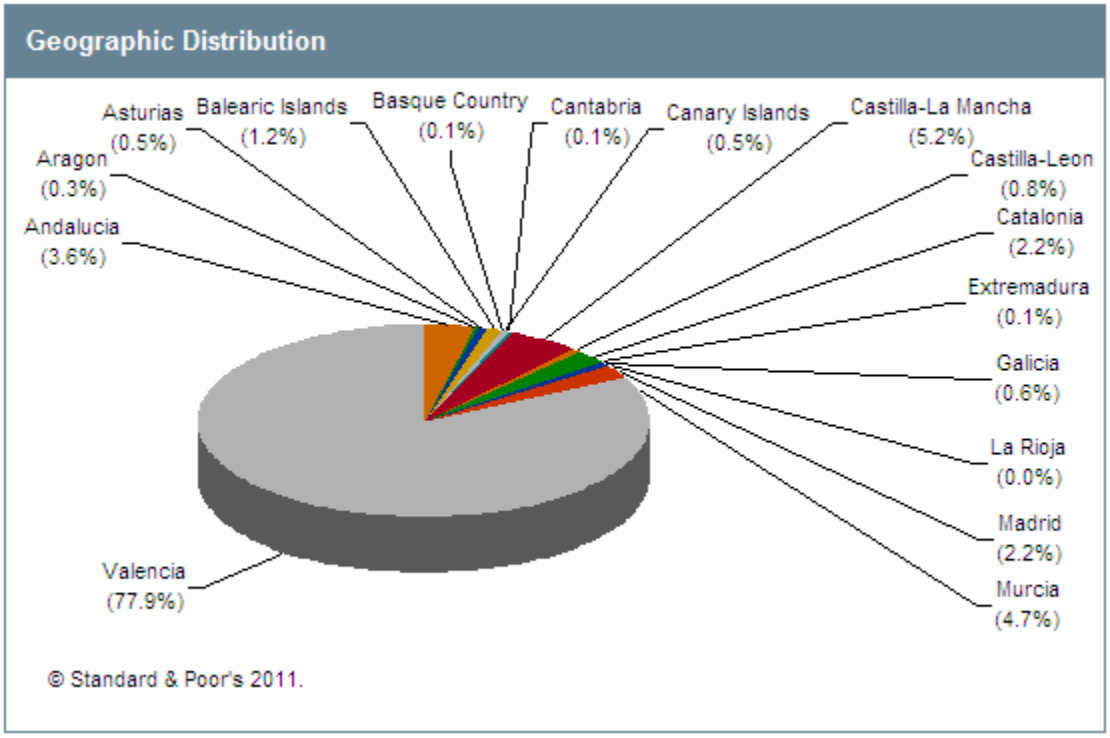
Bancaja originated all of the mortgage loans in the pool more than 24 months ago (see chart 4).

Chart 4



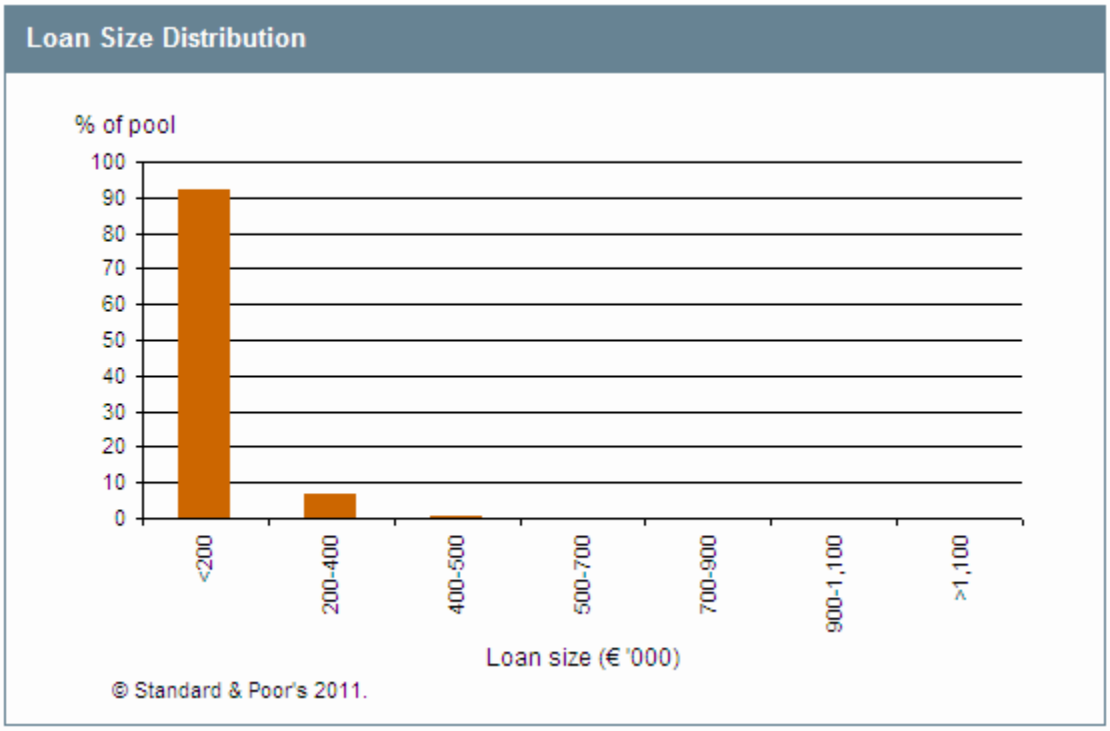
Of the pool, more than 77.93% is concentrated in Valencia, (see chart 5).

Chart 5



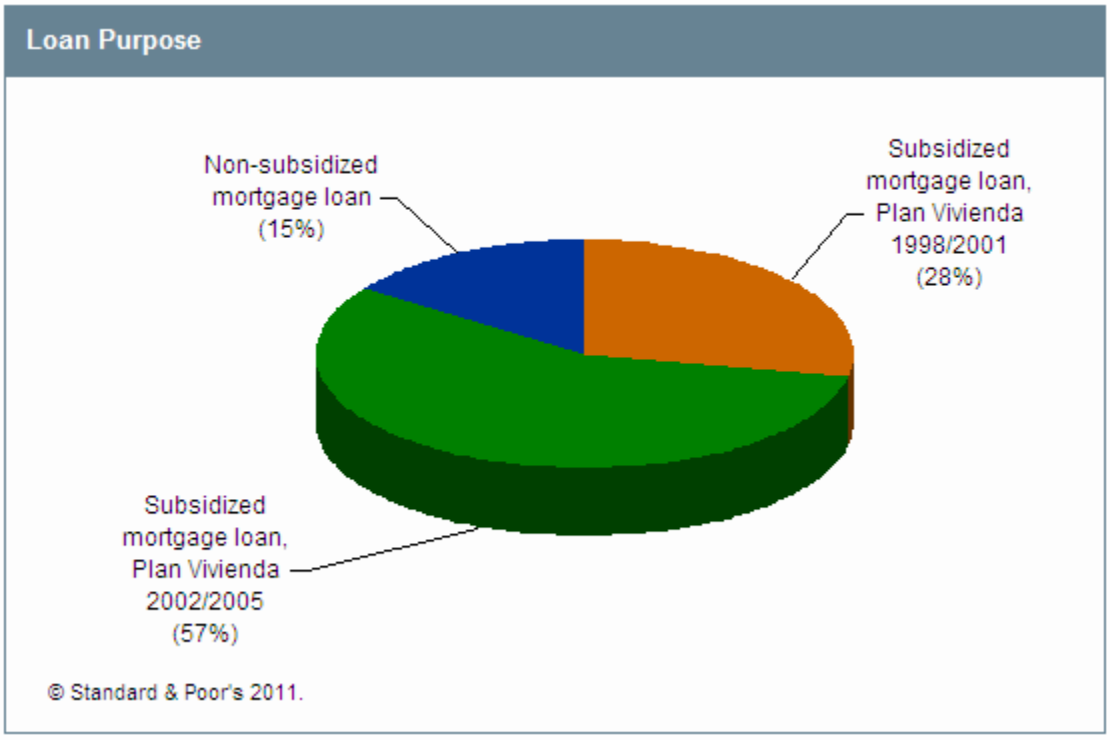
The weighted-average term of the pool is 199 months and the weighted-average loan size is €50,841 (see chart 6).

Chart 6



Of loans in the pool, 15.40% are not state subsidized mortgage loans. However, the rest of the pool comprises subsidized mortgage loans from the "Plan Vivienda 1998/2001" and "Plan Vivienda 2002/2005" programs.

Chart 7



Credit Structure

Credit support for the notes is provided by a combination of subordination, the reserve fund, the reinvestment account return, and the excess spread left by the swap (see table 1).

Table 1

Credit Support For The Notes

Class	Rating	Size of class (%)	Amount (mil. €)	Credit support (%)	Reserve fund (%)	Credit support and reserve fund (%)
A	A (sf)	94.63	327.9	5.36	6.59	11.95
B	NR	2.25	7.8	3.11	6.59	9.70
C	NR	1.47	5.1	1.64	6.59	8.23
D	NR	1.65	5.7	0.00	6.59	6.59

NR—Not rated.

Credit Analysis

We have stressed the transaction cash flows to test the credit and liquidity support provided by the assets, subordinated tranches, and cash reserve. We have implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. In the 'AAA' stresses, all 'AAA' rated notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' case, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but not necessarily so for the 'BBB' rated tranches, as they are subordinated to both 'AAA' and 'A'. Finally, in the 'BBB' case, all 'AAA', 'A', and 'BBB' rated notes must receive full and timely principal and interest.

Amount of defaults and recoveries

For each loan in the pool, we have estimated the likelihood that the borrower will default on its mortgage payments (the foreclosure frequency), and the amount of loss on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage balance to default. We determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating the WAFF and the weighted-average loss severity (WALS).

The WAFF and WALS estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We have applied market-specific criteria in our assessment of the WAFF and the WALS for this portfolio, which are shown in table 2.

Table 2

Portfolio WAFF And WALS

Rating level	WAFF (%)	WALS (%)
AAA	20.45	14.17
AA	14.00	9.93
A	10.49	8.23

Table 2

Portfolio WAFF And WALS (cont.)		
BBB	7.11	7.69
BB	3.80	7.41

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans we assume to default over the life of the transaction. For the Spanish RMBS market, we assume that these defaults occur over a three-year recession. Further, we assess the effect of the timing of this recession on the issuer's ability to repay the liabilities, and we choose the recession start period based on this assessment.

Although the recession normally starts in the first month of the transaction, we usually delay the 'AAA' recession by 12 months. We apply the WAFF to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, we apply the WAFF to the balance at the beginning of month 13). We assume defaults occur periodically in amounts calculated as a percentage of the WAFF (see table 3).

Table 3

Default Timings For Equal Default Curves		
Recession month	**'AAA' scenario**	**Rest of the rating scenarios**
1	—	1/3
13	1/3	1/3
25	1/3	1/3
37	1/3	—

Timing of recoveries

We have assumed that the issuer would regain any recoveries 30 months after a payment default under this transaction.

Note that we base the WALS we use in a cash flow model on principal loss, including costs. We have assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After we apply the WAFF to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period needs to be covered by other structural mechanisms in the transaction.

Delinquencies

We also model the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current for both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed. We apply this in each month of the recession and assume that full recovery of delinquent interest will occur 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is €1 million and the WAFF is 30%, €100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We model three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were about 2% at the time of modeling, and we modeled them to rise or fall by 2% a

month to a high of 12% for EURIBOR, or a low of 0%. For stable interest rates, we held the interest rate at the current rate throughout the life of the transaction. In the 'AAA' scenario, we modeled the interest rate increase not to begin until month 13. Also note that we revise interest rate scenarios if there is sufficient evidence to warrant it.

We stress transactions according to two prepayment assumptions, high (24.0%) and low (0.5%). In a 'AAA' scenario, we model a prepayment rate of 8% before the recession for the first year of the transaction for both the high and low prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13, when we assume the recession to start in the 'AAA' scenario.

We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels or if the transaction is particularly sensitive to high prepayments (e.g., if the transaction relies heavily on excess spread).

In a 'AAA' scenario, we model an expected prepayment rate of approximately 8% before the recession for the first year of the transaction. We apply this for both the low and high prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13 (the 'AAA' scenario recession start month).

In combination, the default timings, interest rates, and prepayment rates described above give rise to six different scenarios (see table 4). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the six scenarios at the proposed rating level.

Table 4

RMBS Stress Scenarios

Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Equal
2	Low	Up	Equal
3	Low	Down	Equal
4	High	Flat	Equal
5	High	Up	Equal
6	High	Down	Equal

Specific cash flow assumptions for the Spanish RMBS government-subsidized mortgages

There is an element of weak-link between the rating on the Spanish sovereign and the probability of payment on these subsidies. At a 'AAA' and 'AA+' rating level, we have considered that the subsidies will be fully lost. At 'AA' and below (i.e., one notch below the then-current rating on the Spanish sovereign and below) we applied liquidity stresses. We assumed that 100% of the subsidies would be delayed for one year at the 'AA' level, 100% of the subsidies would be delayed for six months at the 'A' level, and that there would be no delay at the 'BBB' level.

We applied these delays in subsidy payments during the period that the transaction relies on the government payments. We have defined a subsidy vector based on the amortization profile of this specific transaction (differentiating what cash flows come from the subsidized part, which ones come from the nonsubsidized part of the loans subject to a subsidy, and the ones coming from the loans with no subsidy).

Scenario Analysis

This scenario analysis incorporates a house price decline analysis.

House price decline analysis

Various factors could cause downgrades on rated RMBS notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the transaction to two different levels of movements.

Declining house prices generally lead to increasing LTV ratios and more borrowers entering negative equity. This may increase the expected loss of a securitized pool and its associated loss severity. Consequently, depending on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines are reflected in the calculation of the WALS. The house price decline analysis assumes house price declines that are specific to a jurisdiction—rather than being uniform across all European transactions. The levels do not reflect any views of whether these house price declines will materialize in the future. So, for example, the additional haircuts for a country that has experienced significant house price growth over the past few years may be different from those assumed for a country that has experienced stable house prices.

We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 10% and 15%

In the first scenario, in addition to the different stress assumptions, we apply a further 10% decrease in house prices in the standard run. In this instance, the class A notes could achieve a rating of 'A'. Another way of expressing this scenario is that the maximum rating achievable for the class A notes would be 'A (sf)', if we were to assume these increases to the foreclosure frequency and loss severity.

In the second scenario, in addition to the different stress assumptions, we apply a further 15% decrease in house prices in the standard run. In this instance, the class A notes could achieve a rating of 'A (sf)'. Another way of expressing this scenario is that the maximum rating achievable for the class A notes would be 'A (sf)' if we were to assume these increases to the foreclosure frequency and loss severity.

Surveillance

The key performance indicators in the surveillance of this transaction are:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios and seasoning;
- Constant prepayment rates;
- Supporting parties' credit risk evolution; and
- Increases in credit enhancement for the notes.

Related Criteria And Research

- Principles Of Credit Ratings, Feb. 16, 2011
- Counterparty And Supporting Obligations Update, Jan. 13, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- Methodology: Credit Stability Criteria, May 3, 2010
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
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- European Legal Criteria For Structured Finance Transactions, Aug. 28, 2008
- Criteria For Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002
- Spanish RMBS Index Reports, published quarterly

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