MOODY'S
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Announcement: Moody's says rating on BBVA RMBS 1, 2 and 3, FTA unaffected by broadening of permitted loan renegotiations

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Madrid, November 19, 2013 -- Moody's Investors Service said today that the ratings of the notes issued by BBVA RMBS 1, FTA , BBVA RMBS 2, FTA and BBVA RMBS 3, FTA (BBVA RMBS 1, 2 and 3) remain unaffected by modifications made by Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") and the management company ("Gestora"), which represents the issuers, to the transactions' legal documentation. These modifications allow certain types of renegotiation for loans in arrears. Although loosening of loan terms and conditions can in general delay default and repossession and therefore ultimately result in greater loss severity, in the current environment faced by these Spanish RMBS transactions, and in particular the low recovery rates achieved on defaulted loans, Moody's expects that such renegotiations will help improve debt affordability for distressed borrowers and support the collateral performance of the deals. The amendments to loan renegotiations are rating neutral for the notes issued by BBVA RMBS 1, 2 and 3.

The amended documentation broadens the scope of permitted renegotiations contemplated at the closing of the transactions. As per initial legal documentation, loan renegotiations are only offered to borrowers that are current on their mortgage and are restricted to interest rate reduction or maturity extension.

The amended legal documentation allows the following renegotiations of loans that are more than 45 days and less than 90 days in arrears: 1) the extension of grace periods for principal payments to a maximum of 24 consecutive months; 2) the extension of loan maturity to the earliest date of either the debtor turning 85 years old (as opposed to the previously allowed 70 years old) or four years prior to the legal maturity of the transaction; 3) the flooring of the initial fixed interest rate period at 1% (or the then current fixed interest at renegotiation if below 1%) and the extension to a period of between 6 and 12 months; 4) modifications to the margin applied on the mortgage benchmark indices, which include (i) the margin over the benchmark index one-year EURIBOR being equal to or higher than zero, (ii) the margin over the benchmark index IRPH being equal to or higher than -0.5; (iii) the weighted average margin (weighted by the outstanding balance of the modified mortgage loans) over the benchmark index one-year EURIBOR not being lower than 72, 68 and 77 basis points for BBVA RMBS 1 , 2 and 3, respectively; and 5) the capitalisation of interest in arrears, as long as the outstanding principal balance of the mortgage loan does not exceed 170% of updated valuation of property.

The gestora will include information on renegotiated loans in the transaction investor reports going forward.

As per the documentation, the servicer will have to follow some requirements in order to grant renegotiations. First, any renegotiations shall not be detrimental to the senior ranking of the securitised mortgage loan. Second, the servicer will only offer the renegotiation as long as it proves to be a sustainable long-term solution to a borrower. As per the amended documentation, the mortgage debtor will have to demonstrate his/her capacity to repay the renegotiated debt from his main source of income.

If the renegotiation does not prove a sustainable long-term solution for a borrower, it will lead to delayed default and repossession and potentially greater loss severity. Moody's believes that as long as the servicer is effective in working out a sustainable solution and assessing the borrower's capacity to repay the renegotiated debt, renegotiations will improve affordability and help many borrowers avoid rather than delay default.

Any reduction in margin due to interest rate renegotiation will be absorbed by the swap counterparty and will not affect excess spread levels in the transactions. Each of the three transactions benefits from a Spanish interest rate swap guaranteeing a 65 basis points margin over the notional excluding loans over 90 days in arrears.

BBVA is the swap counterparty in BBVA RMBS 3 and Deutsche Bank AG, London Branch is the swap provider in BBVA RMBS 1 and 2. Regarding the potential impact of these changes on the swap counterparties, Moody's notes that the weighted-average portfolio margin floor (40 basis points over one-month Euribor in BBVA RMBS 1 and 2, and 50 basis points in BBVA RMBS 3) remains in place.

The permitted renegotiations will help improve debt affordability for distressed borrowers and will support collateral performance. BBVA RMBS 1, 2 and 3 exhibit weak credit performance trends. High cumulative defaulted loans have translated into a high level of repossessed mortgage properties, representing currently about 3.3%, 3.6% and 6.6% of current pool balance in BBVA 1, 2 and 3, respectively. Moody's believes that, as long as the servicer is effective in working out a workable solution and assessing the borrower's capacity to repay the renegotiated debt, renegotiations will improve affordability and help many borrowers avoid rather than delay default.

As a result, Moody's believes that the loans renegotiations are rating neutral to the notes issued by BBVA RMBS 1, 2 and 3.

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