



Moody's Investors Service

## Rating Action: **Moody's confirms ratings of BANCAJA 3, FTA**

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Global Credit Research - 03 Feb 2010

### **Approx. EUR 284 million of debt securities affected.**

London, 03 February 2010 -- Moody's Investors Service has confirmed today the ratings on the following notes issued by BANCAJA 3, FTA:

- Class A, Confirmed Aaa; previously on June 29, 2009 Aaa Placed under Review for Possible Downgrade
- Class B, Confirmed A1; previously on June 29, 2009 A1 Placed under Review for Possible Downgrade
- Class C, Confirmed Baa2; previously on June 29, 2009 Baa2 Placed under Review for Possible Downgrade

All the notes were placed on review for possible downgrade as a consequence of the downgrade to A3/P-2 of the long-term and short-term rating of Caja de Ahorros de Valencia, Castellón y Alicante ("Bancaja"). Today's action concludes the review and takes into account the remedial actions put in place to cure the rating trigger breaches in the transaction.

As described in the press release of 29 of June, this transaction's main exposure is linked to the servicing role that Bancaja fulfils. Moody's has assessed the commingling risk taking into account the current credit enhancement in the structure. According to the transaction documents, sweeps from the collection account to the treasury account are set to be done every 10 days with no frequency change at loss of P-1. Nevertheless, Moody's notes that this frequency has been increased to every 2 days. The main source of liquidity in the structure is the reserve fund which is currently fully funded and corresponds to 0.92% of the outstanding principal balance of the notes. In future the reserve fund can amortise to an amount which is equal to 1.60% of the outstanding note balance and subject to a floor of 0.40% of the original balance of the notes.

Bancaja acts as swap counterparty for this transaction. According to the revised swap language Bancaja has to take a remedial action following its downgrade to A3 / P-2. Bancaja has opted to post collateral. In January 2009 a credit support annex was signed for this transaction (Estipulación

adicional al Anexo III -- CMOF) which is in line with the collateral requirements as described in Moody's report titled "the Framework for De-linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions"

Moody's notes that Banco Cooperativo Español (A1 / P-1) has replaced Bancaja as Paying Agent following the rating trigger breach at loss of P-1 included in the transaction documents.

Considering the current amount of realized losses, and completing a roll-rate and severity analysis for the non-defaulted portion of the portfolio, Moody's has confirmed its loss expectations of 0.52% of the original balance for this transaction. Moody's has also assessed loan-by-loan information for the outstanding portfolio and has assumed its MILAN Aaa credit enhancement (MILAN Aaa CE) as 3.25%. The loss expectation and the Milan Aaa CE are the two key parameters used by Moody's to calibrate its loss distribution curve, which is one of the core inputs in the cash-flow model it uses to rate RMBS transactions. As of the latest payment date in December, current credit enhancement under the class A notes (including subordination and reserve fund) is 8.24%.

Moody's ratings address the expected loss posed to investors by the legal final maturity of the notes. Moody's ratings address only the credit risks associated with the transaction. Other risks have not been addressed, but may have a significant effect on yield to investors.

Moody's monitors the performance of the RMBS transaction referred to in this press release using rating methodologies described in the reports "Moody's Updated Methodology for Rating Spanish RMBS", July 2008, and "Revising Default/Loss Assumptions Over the Life of an ABS/RMBS Transaction", December 2008. For more information on Moody's framework that applies when reviewing hedges in connection with highly-rated structured finance cash-flow transactions, please refer to the Rating Methodology report "Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Cashflow Transactions", May 2007. These reports can be found at [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website. 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).

For further information on the respective transactions, please refer to

www.moody's.com or contact Moody's Client Service Desk on +44-20 7772 5454.

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