

## Ratings Lowered On Class A2, A3, B, C, And D Notes In Bancaja 10 Spanish RMBS Transaction

**Surveillance Credit Analyst:**

Paloma Mateo-Guerrero, Madrid (34) 91-788-7211; paloma\_mateo-guerrero@standardandpoors.com

### OVERVIEW

- Since our last review, we have observed continuing deterioration in the portfolio credit quality, as levels of delinquencies and defaults have continued to increase. At the structural features level, the reserve fund has been fully depleted since May 2010, and no replenishments have taken place since then.
- We have thus lowered our ratings on all classes of notes in Bancaja 10 except the class E notes, which have been rated 'D (sf)' since July 2010.
- Bancaja originated and currently services the loans backing this Spanish RMBS transaction, which closed in January 2007.

MADRID (Standard & Poor's) Feb. 18, 2011--Standard & Poor's Ratings Services today lowered its credit ratings on Bancaja 10 Fondo de Titulizacion de Activos ' class A2, A3, B, C, and D notes. At the same time, we kept the class A2 and A3 notes on CreditWatch negative due to the implementation of our new counterparty criteria that became effective on Jan. 18, 2011. We also removed classes B, C, and D from CreditWatch negative, and affirmed our 'D (sf)' rating on the class E notes (see list below).

We have observed persisting deterioration in the credit quality of the underlying portfolio backing Bancaja 10. The number of loans in arrears for 90 days, but not yet considered as defaulted (defined as 18 months in arrears in this transaction), has grown more slowly in the past six months. However, the level of defaulted loans has increased, to 2.74% on a cumulative basis, over the original portfolio balance securitized at closing. Although this level of defaults did not breach the interest-deferral trigger for the class D notes, we see this increase as weakening the performance of the notes outstanding in this transaction. In addition, the level of defaults in the transaction is

still higher than many similar rated transactions in the market.

As of the latest investor report of November 2010, defaulted loans represented 2.74% of the original pool balance, compared with 1.09% at the same time the previous year.

The transaction structure has an interest-deferral trigger system, based on cumulative defaults. Interest on the notes is deferred if loans in default comprise more than 10.9% of the initial balance of the mortgages for class B, 7.4% for class C, and 5.7% for class D. Given that the current level of cumulative defaults over the original balance is 2.74%, while the level of defaults has increased since the last interest payment date, we consider that interest on junior classes of notes will not be postponed in the near future.

The reserve fund has been fully drawn since the May 2010 interest payment date. We believe this may soon adversely affect the whole transaction structure. Also, credit enhancement for the notes has decreased following the downgrade of the class E notes to 'D (sf)' in July 2010, which negatively affects the capital structure.

The ratings on the class A notes remain on CreditWatch negative due to the implementation of our new counterparty criteria (see "Related Criteria And Research").

The Bancaja deals are Spanish residential mortgage-backed securities (RMBS) transactions backed by pools of first-ranking mortgages secured over owner-occupied residential properties in Spain. Bancaja (Caja de Ahorros de Valencia, Castellon y Alicante) originated the mortgage loans.

#### RELATED CRITERIA AND RESEARCH

- Ratings On 1,977 EMEA Structured Finance Tranches Placed On CreditWatch Negative After Counterparty Criteria Update, Jan. 18, 2011
- Counterparty and Supporting Obligations Update, Jan. 13, 2011
- Counterparty and Supporting Obligations Methodology and Assumptions, Dec. 6, 2010
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Principles-Based Rating Methodology For Global Structured Finance Securities, May 29, 2007
- Ratings On All Notes Placed On CreditWatch Negative In Spanish RMBS Transactions Bancaja 10 And Bancaja 11, July 6, 2010
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Criteria For Rating Spanish Residential Mortgage-Backed Securities, March 1, 2002

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's

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RATINGS LIST

Class	To	Rating	From
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Bancaja 10, Fondo de Titulizacion de Activos  
€2.631 Billion Mortgage-Backed Floating-Rate Notes

RATINGS LOWERED AND KEPT ON CREDITWATCH NEGATIVE

A2	AA (sf)/Watch Neg	AAA (sf)/Watch Neg
A3	AA (sf)/Watch Neg	AAA (sf)/Watch Neg

RATINGS LOWERED AND REMOVED FROM CREDITWATCH NEGATIVE

B	BBB- (sf)	A (sf)/Watch Neg
C	BB- (sf)	BBB- (sf)/Watch Neg
D	B- (sf)	BB- (sf)/Watch Neg

RATING AFFIRMED

E	D (sf)
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**Additional Contact:**

Structured Finance Europe; [StructuredFinanceEurope@standardandpoors.com](mailto:StructuredFinanceEurope@standardandpoors.com)

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