





# (/en\_US/web/guest/home) All Ratings Raised In Spanish RMBS Transaction Hipocat 7 Following Review

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## OVERVIEW

On March 23, 2018, we raised our unsolicited long-term sovereign rating on Spain to 'A-' from 'BBB+'.

On April 17, 2018, we revised our outlook assumptions for the Spanish residential mortgage market to benign to reflect the improved Spanish residential mortgage and real estate market, and lowered our projected losses at the 'B' rating level for the archetypal Spanish pool.

On April 24, 2018, we placed on CreditWatch positive our ratings on Hipocat 7, as we needed to conduct a full analysis to determine the impact of these recent events.

Following our review of this transaction under our relevant criteria, we have raised all our ratings on Hipocat 7 and resolved our CreditWatch placements.

Hipocat 7 is a Spanish RMBS transaction that closed in June 2004 and securitizes first-ranking mortgage credits. Catalunya Banc, which was formerly named Caixa Catalunya and is now part of BBVA, originated the pool. The pool comprises credits secured over owner-occupied properties, mainly in Catalonia.

MADRID (S&P Global Ratings) June 22, 2018--S&P Global Ratings today raised and removed from CreditWatch positive its credit ratings on Hipocat 7, Fondo de Titulizacion de Activos' class A2, B, C, and D notes (see list below).

Today's rating actions follow the application of our relevant criteria and our full analysis of the most recent transaction information that we have received, and reflect the transaction's current structural features (see "Related Criteria"). We have also considered our updated outlook assumptions for the Spanish residential mortgage market (see "Outlook Assumptions For The Spanish Residential Mortgage Market (/en\_US/web/guest/article/-/view/sourceId/10501493)," published on April 17, 2018).

Our structured finance ratings above the sovereign (RAS) criteria classify the sensitivity of this transaction as moderate (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceId/9748207)," published on Aug. 8, 2016). Therefore, after our March 23, 2018 upgrade of Spain to 'A-' from 'BBB+', the highest rating that we can assign to the senior-most tranche in this transaction is six notches above the Spanish sovereign rating, or 'AAA (sf)', if certain conditions are met (see "Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive (/en\_US/web/guest/article/-/view/sourceId/10478992)"). For all the other tranches, the highest rating that we can assign is four notches above the sovereign rating.

Our European residential loans criteria, as applicable to Spanish residential loans, establish how our loan-level analysis incorporates our current opinion of the local market outlook (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans (/en\_US/web/guest/article/-/view/sourceId/10154538)," published on Aug. 4, 2017). Our current outlook for the Spanish housing and mortgage markets, as well as for the overall economy in Spain, is benign. Therefore, we revised our expected level of losses for an archetypal Spanish residential pool at the 'B' rating level to 0.9% from 1.6%, in line with table 87 of our European residential loans criteria, by lowering our foreclosure frequency assumption to 2.00% from 3.33% for the archetypal pool at the 'B' rating level (see "Guidance: Methodology And Assumptions: Assessing Pools Of European Residential Loans (/en\_US/web/guest/article/-/view/sourceId/10496083)," published on April 17, 2018).

After applying our European residential loans criteria to this transaction, the overall effect in our credit analysis results is a decrease in the required credit coverage for the 'A' to 'B' rating levels compared with our previous review, mainly driven by our revised foreclosure frequency assumptions. The credit coverage for 'AAA' and 'AA' rating levels have increased in comparison with the previous review due to the increase in 'AAA' repossession market value decline.

Rating level	WAFF (%)	WALS (%)
AAA	27.94	25.67
AA	19.19	20.00

A	14.55	11.04
BBB	10.83	6.45
BB	7.16	3.71
B	4.32	2.00

WAFF--Weighted average foreclosure frequency. WALs--Weighted average loss severity.

Credit enhancement available in Hipocat 7 has increased since the previous review due the reserve fund being partially replenished. The reserve fund increased to €14.87 million in April 2018 from €4.38 million in April 2017. The reserve fund was partially depleted in the past as it was used to provision for loans in foreclosure and in arrears over 18 months. In November, the servicer, Banco Bilbao Vizcaya Argentaria S.A. (BBVA), acquired about €1.74 million of repossessed properties from the fund. Cash flows from the sale of these properties contributed to the partial replenishment of the reserve fund. In addition, according to the trustee, during 2017, recoveries from defaulted assets also contributed to replenishing the reserve fund.

Following the application of our criteria, we have determined that our assigned ratings on the classes of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our European residential loans criteria.

The application of our RAS criteria caps our rating on the class A2 and B notes at six and four notches above our unsolicited 'A-' long-term sovereign rating on Spain, respectively. We have therefore raised to 'AAA (sf)' from 'AA+ (sf)' our rating on the class A2 notes and to 'AA (sf)' from 'A (sf)' our rating on the class B notes. We have also removed our ratings on these classes of notes from CreditWatch positive.

Our rating on the class C notes is not capped by our RAS analysis as the application of our European residential loans criteria, including our updated credit figures, caps our rating on the class C notes at 'BBB+ (sf)'. We have therefore raised to 'BBB+ (sf)' from 'BB+ (sf)', and removed from CreditWatch positive our rating on the class C notes. In reviewing our rating on the class C notes, in addition to applying our credit and cash flow analysis which considered various recovery assumptions for the defaulted assets, we have considered their position in the capital structure and sensitivity to the various recovery assumptions, and the scope of the improvement in credit enhancement since the last review.

The class D notes are not capped by our RAS analysis. At the same time their credit enhancement has improved to -6.32% from -8.06%, calculated excluding loans in arrears for more than 180 days, since our previous review. As a consequence we have raised to 'B (sf)' from 'B- (sf)' and removed from CreditWatch positive our rating on the class D notes. In our analysis of this class of notes we have considered the magnitude of the negative credit enhancement, their position in the capital structure, the sensitivity to the various recovery assumptions, and the scope of the improvement in credit enhancement since our previous review.

Hipocat 7 is a Spanish residential mortgage-backed securities (RMBS) transaction that closed in June 2004 and securitizes first-ranking mortgage credits. Catalunya Banc, which was formerly named Caixa Catalunya and is now part of BBVA, originated the pool. The pool comprises credits secured over owner-occupied properties, mainly in Catalonia.

#### RELATED CRITERIA

Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans (/en\_US/web/guest/article/-/view/sourceld/10154538), Aug. 4, 2017

Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology (/en\_US/web/guest/article/-/view/sourceld/9733017), March 29, 2017

Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceld/9748207), Aug. 8, 2016

Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD (/en\_US/web/guest/article/-/view/sourceld/9049216), March 2, 2015

Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions (/en\_US/web/guest/article/-/view/sourceld/8737366), Oct. 9, 2014

General Criteria: Methodology Applied To Bank Branch-Supported Transactions (/en\_US/web/guest/article/-/view/sourceld/8130806), Oct. 14, 2013

Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions (/en\_US/web/guest/article/-/view/sourceld/7157027), June 25, 2013

Criteria - Structured Finance - General: Global Derivative Agreement Criteria (/en\_US/web/guest/article/-/view/sourceld/8058839), June 24, 2013

Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications (/en\_US/web/guest/article/-/view/sourceld/7430465), July 12, 2012

General Criteria: Methodology: Credit Stability Criteria (/en\_US/web/guest/article/-/view/sourceld/5961504), May 3, 2010

General Criteria: Use Of CreditWatch And Outlooks (/en\_US/web/guest/article/-/view/sourceld/5612636), Sept. 14, 2009

Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment (/en\_US/web/guest/article/-/view/sourceld/5428209), May 28, 2009

#### RELATED RESEARCH

Spanish RMBS Index Report Q1 2018, (/en\_US/web/guest/article/-/view/sourceld/10550195) May 24, 2018  
 Ratings On 213 Tranches In 82 Spanish RMBS Transactions Placed On  
 CreditWatch Positive (/en\_US/web/guest/article/-/view/sourceld/10515506), April 24, 2018  
 Outlook Assumptions For The Spanish Residential Mortgage Market (/en\_US/web/guest/article/-/view/sourceld/10501493), April 17, 2018  
 Guidance: Methodology And Assumptions: Assessing Pools Of European  
 Residential Loans (/en\_US/web/guest/article/-/view/sourceld/10496083), April 17, 2018  
 Reduced Funding Risks Lead To Upgrades At Several Spanish Banks (/en\_US/web/guest/article/-/view/sourceld/10497833), April 6, 2018  
 Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary  
 Consolidation; Outlook Positive (/en\_US/web/guest/article/-/view/sourceld/10478992), March 23, 2018  
 Spanish RMBS Index Report Q4 2017 (/en\_US/web/guest/article/-/view/sourceld/10440275), March 1, 2018  
 2017 EMEA RMBS Scenario And Sensitivity Analysis (/en\_US/web/guest/article/-/view/sourceld/10156650), July 6, 2017  
 Global Structured Finance Scenario And Sensitivity Analysis 2016: The  
 Effects Of The Top Five Macroeconomic Factors (/en\_US/web/guest/article/-/view/sourceld/9913417), Dec. 16, 2016  
 European Structured Finance Scenario And Sensitivity Analysis 2016: The  
 Effects Of The Top Five Macroeconomic Factors (/en\_US/web/guest/article/-/view/sourceld/9914948), Dec. 16, 2016  
 Various Rating Actions Taken In Spanish RMBS Transaction Hipocat 7  
 Following Review (/en\_US/web/guest/article/-/view/sourceld/10186148), Jul. 27, 2017

#### RATINGS LIST

Class	Rating
To	From

Hipocat 7, Fondo de Titulizacion de Activos  
 €1.4 Billion Mortgage-Backed Floating-Rate Notes

Ratings Raised And Removed From CreditWatch Positive

A2	AAA (sf)	AA+ (sf)/Watch Pos
B	AA (sf)	A (sf)/Watch Pos
C	BBB+ (sf)	BB+ (sf)/Watch Pos
D	B (sf)	B- (sf)/Watch Pos

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