RURAL Hipotecario IV

RURAL GROUP
RMBS
SPAIN

CLOSING DATE
November 2002

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RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	**Aaa**	€498,700,000	95.90%	Feb-2033	March-2032
B	**A2**	€21,300,000	4.10%	Feb-2033	March-2032
Total		€520,000,000	100%		

Class	Index	Margin
A	3 M EURIBOR +	0.24%
B	3 M EURIBOR +	0.55%

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Good quality collateral in terms of seasoning and geographical diversification
- Strong performance and track record on previous Rural deals
- The experience of Europea de Titulización as *gestora* and the supporting guarantee of the *gestora* obligations by all of its shareholders

Weaknesses and Mitigants

- The portfolio includes loans originated with an LTV over 80%, however at the time of securitization every loan already had an LTV lower than 80%
- Non-rated originators, but with proven experience in lending mortgage loans
- Transaction not protected with swap

STRUCTURE SUMMARY

Issuer:	Rural Hipotecario IV Fondo de Titulización Hipotecaria
Structure Type:	Spanish Fondo de Titulización Hipotecaria (FTH)
Seller/Originator:	Caja Rural de Aragón, Caja Rural de Navarra, Caja Rural de Zamora, Caja Rural del Mediterráneo -Rural Caja and Caja Rural Intermediterránea (Cajamar).
Servicer:	Caja Rural de Aragón, Caja Rural de Navarra, Caja Rural de Zamora, Caja Rural del Mediterráneo -Rural Caja and Caja Rural Intermediterránea (Cajamar).
Interest Payments:	Quarterly on 13 February, 13 May, 13 August, 13 November
Principal Payments:	Pass-through fully sequential
Credit Enhancement/Reserves:	Subordination–Reserve Fund–Excess Spread
Liquidity Facility:	N/A
Hedging:	N/A
Principal Paying Agent:	Banco Cooperativo Español S.A
Security Trustee:	Europea de Titulización S.G.F.T, S.A
Note Trustee:	Europea de Titulización S.G.F.T, S.A
Arranger/Lead Manager:	Banco Cooperativo Español SA, Credit Agricole Indosuez , DZ Bank AG

COLLATERAL SUMMARY

Assets:	Mortgage Shares (Participaciones Hipotecarias - PHs)
Number of Contracts:	9,463
Number of Borrowers:	9,463
Type of Equipment:	Residential Property
Geographic Diversity:	Andalucia (31%)
Current WALTV:	63.11%
Remaining Term:	19.14 years
Seasoning:	18.94 months
Delinquency Status:	No loans in arrears for more than 90 days at closing time
Total Amount:	€542,966,896 (provisional portfolio)

Class	Subordination	Reserve Fund	Margin over PH
A	4.10%	1.85%	1.20%
B	----	1.85%	1.20%

OVERVIEW

Multi-originator MBS transaction

In recent years, the Spanish MBS market has witnessed rapid growth in multi-seller transactions. Such transactions allow small originators, which usually have fewer resources than larger originators, to maximise liquidity and minimise fixed transaction costs.

This transaction marks the Cajas Rural fourth issuance in Spain. As in previous Rural transactions, this deal has been originated with mortgages from small credit co-operatives whose main activities comprise lending to the agricultural sector. Originally, the Rural group's main activity focused on covering the needs of the agricultural sector. However, the development and the expansion of the financial sector due to the growth of Spanish economy and low interest rates have allowed the group to grow beyond its initial client base.

The product being securitised consists of first lien mortgage loans granted to individual, residents in Spain and who will use these loans to acquire a primary residence.

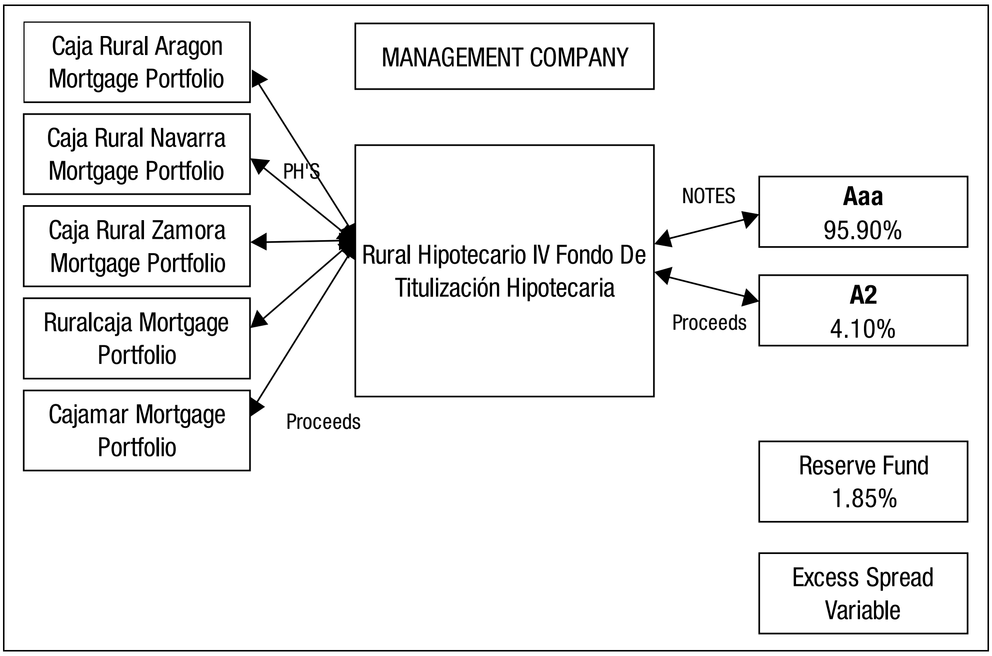
STRUCTURAL AND LEGAL ASPECTS

Transaction structured as a mortgage securitisation fund (FTH)

The mortgage securitisation notes (*bonos de titulización hipotecaria* - BTHs) are issued by a mortgage securitisation fund (*fondo de titulización hipotecaria* - FTH) which is to be created and managed by Europea de Titulización, S.G.F.T, S.A., the management company (*gestora*).

Under Spanish law, each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the originator. As the fondo does not possess any legal personality, any such action must be taken on its behalf by the gestora. In this transaction, all of the PHs represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax. However, interest payments on the BTHs issued by the fund may be subject to withholding tax.

Structure Overview



This deal consists of five unrated co-operative banks joining forces to issue an RMBS transaction. In this transaction, the co-operative banks will sell a portfolio of mortgage loans to the Fondo. The Fondo in turn will issue two classes of notes to fund the purchase of the mortgage loan portfolio. The capital structure consists of two tranches: a senior Tranche A rated **Aaa** and a subordinated Tranche B rated **A2.** The certificate holders will be protected from losses by means of a traditional senior/subordinated structure with a reserve fund (RF).

Treasury Account

The treasury account will be held at Bancoval S.A., which is not rated by Moody's. This is mitigated by the commitment from Dexia (Banque Internationale a Luxembourg, **Aa2**), which is a majority shareholder in Bancoval, to accept ultimate responsibility for the latter's operations and to safeguard its financial stability.

Should Dexia (as main shareholder of the treasury account bank) lose its **A1** long term rating, the management company will have:

- To obtain a P-1 rated entity to guarantee the fund
- To transfer the fund's treasury account to a credit institution whose short-term rating is at least P-1.
- To obtain a third-party collateral security in favour of the fund or financial assets with a rating at least equal to the kingdom of Spain public debt.

Transaction NOT protected with swap

The structure is exposed to interest rate risk. Interest payable on the Class A and B notes is 3 months Euribor (reset on a quarterly basis), while most of the PHs are linked to 12 months Euribor (reset on a yearly basis). Potential shortfalls due to this basis risk have been considered in Moody's analysis, and the reserve fund has been sized accordingly.

Spread

The first layer of protection comprises the spread in the transaction, which is the difference between (i) the interest earned on the PHs and (ii) the coupons paid on the BTHs and other obligations. Moody's assessed the value of the ongoing spread under a variety of adverse conditions that would minimise its availability, including prepayment rates, various loss distributions and high arrears levels.

The following table shows the distribution of mortgage loans according to the benchmark index applicable to them.

Benchmark Index	Outstanding Principal	%	% Margin o/Euribor*
Year Euribor/Mibor	€303,968,420	55.98%	0.888
TMPH Bank	€5,521,666	1.02%	1.523
TMPH Savings Banks	€188,403,063	34.70%	1.653
TMPH All Institutions	€45,073,745	8.30%	1.370
Total and WA	€542,966,896	100%	1.201

* This margin is calculated as the monthly average difference between each index and Euribor during the last three years plus the weighted average margin of the loan referenced to that index.

Reserve Fund

The reserve fund is the second layer of protection for investors. The reserve fund will be used to cover potential shortfalls in interest on an ongoing basis, and to protect the deal from potential shortfalls of principal at the end of the transaction. At any point in time, the required level of reserve fund will be the lesser of the following amounts:

1. 1.85% of the initial amount of the nominal balance of the notes
2. The higher of the following amounts:
   - 5.55% of the outstanding notional balance of the notes
   - 0.925% of the initial amount of the nominal balance of the notes

The reserve fund will cease amortising if any of the following events occur:

- The outstanding amount of PHs more than 90 days in arrears represents more than 2.5% of the outstanding amount
- The outstanding amount of the PHs over 360 days in arrears > (0.025% * PHs initial balance * number of payment dates since initial payment)
- The outstanding amount of the PHs < outstanding amount of the bonds
- The weighted average interest rate under the PHs < weighted average interest rate under the bonds plus 0.65% spread

Fully Sequential Amortisation

The Class A notes will amortise on a quarterly basis and the Class B notes will start amortising when the Class A notes are fully redeemed.

Clean-up Call Option

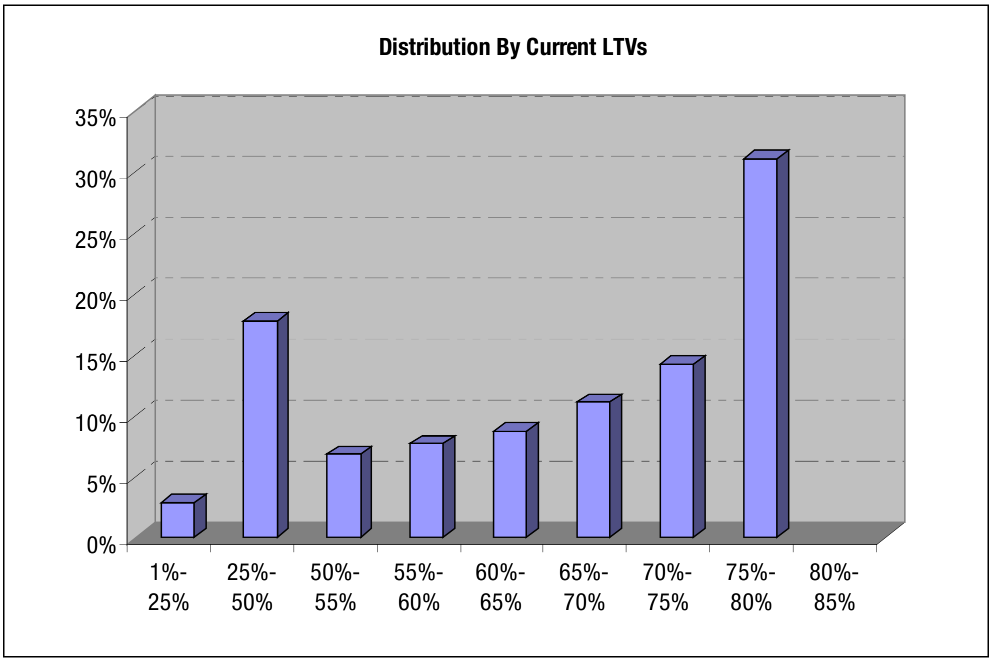
The originator has a clean-up call option: it can purchase the loans back when the current portfolio balance is less than 10% of the initial portfolio balance.

COLLATERAL – PROVISIONAL PORTFOLIO

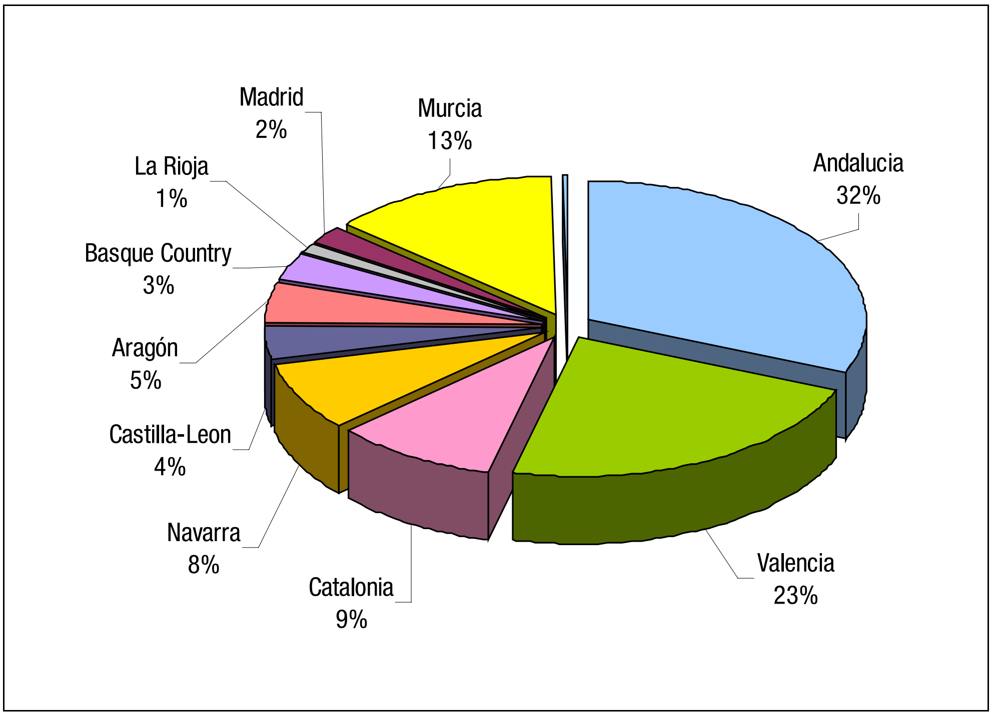
Similar quality collateral than in previous transactions

As of October, the portfolio comprised 9,463 loans, representing a provisional portfolio of €542,966,896. The mortgages consist of first charges on residential properties that are all believed to be owner occupied. However, 5% of the properties are identified as second homes. All of the properties upon which the mortgage securities have been granted are covered by property damage and fire insurance. Geographically, the pool is concentrated in Andalucia (31%) and Valencia (23%). The current weighted average LTV (WALTV) is 63.11%. The pool also benefits from average seasoning of approximately 19 months. Although the current weighted average LTV level is relatively low, Rural IV introduces loans with original LTV over 80% (approximately 11.15% of the loans have original high LTVs). It is worth mentioning that the introduction of loans with LTV levels over 80% is becoming increasingly common in the Spanish securitisation market.

Distribution by current LTVs



Geographical Distribution



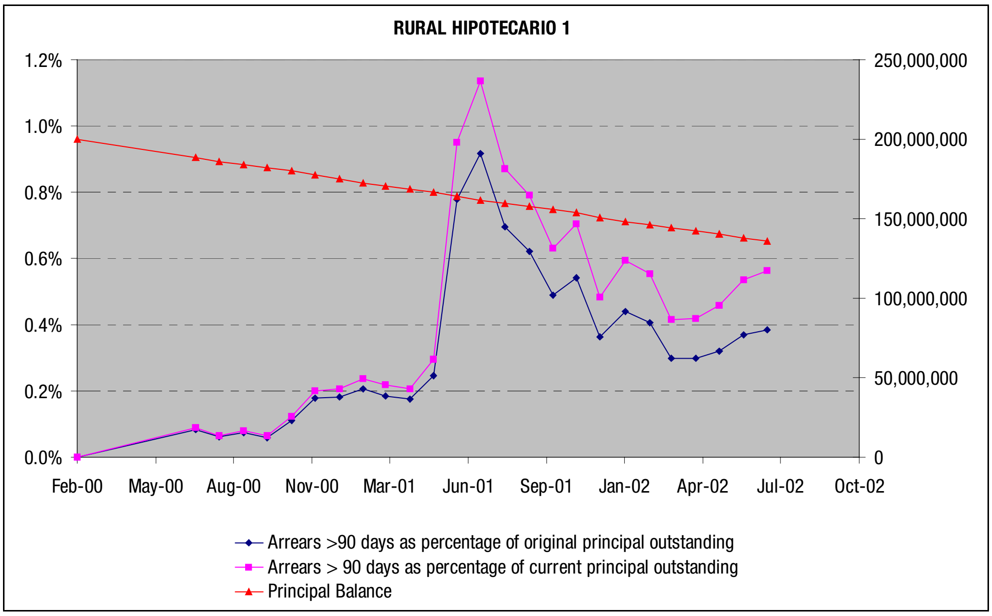
Comparison with previous Rural transactions

In line with the pattern adopted by previous Rural transactions, the main features of this deal are loans with WALTV levels averaging 63% and a good geographical diversification (see chart above). In terms of collateral, Moody's views Rural IV as slightly weaker than the previous transaction. The WALTV is higher than in previous Rural transactions and the seasoning is lower than in all previous transactions.

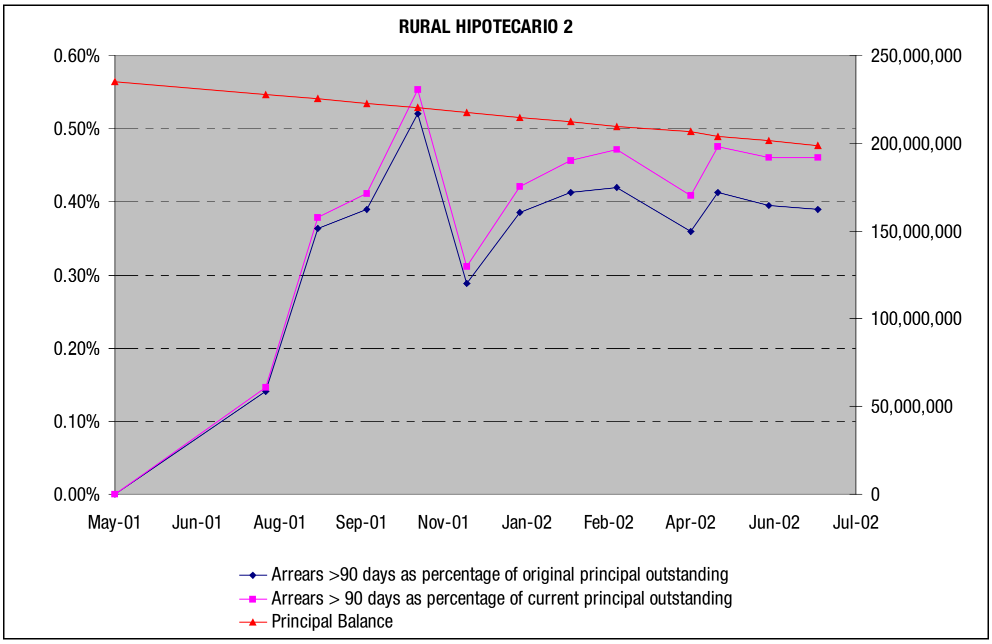
	RURAL I	RURAL II	RURAL III	RURAL IV
Geog. Con.	Valencia (38%)	Andalucia (31%)	Andalucia (38%)	Andalucia(31%)
LTV	56.79%	59.77%	57.56%	62.85%
Season.	2.5yrs	2.1yrs	2.1yrs	1.45yrs
Origin.	4 unrated orig	7 unrated orig	7 unrated orig	5 unrated orig

Performance Data For Previous Rural Transactions

Rural Hipotecario I



Rural Hipotecario II



ORIGINATOR, SERVICER AND DUE DILIGENCE

Originators

The Cajas Rural group is present in almost every region of Spain and has assets totalling €16 billion. The group currently comprises 81 savings institutions and co-operative institutions. Moody's reviewed the underwriting and collections procedures of the originators and compared them with the overall lending practices of banks and mortgage lenders in Spain. Moody's believes each originator is capable of fulfilling its servicing obligations in the transaction.

	CAJAMAR	RURALCAJA	CR NAVARRA	CR ARAGON	CR ZAMORA
Total Balance (€)	305,818,598	125,016,193	65,019,393	26,137,582	20,975,128
Nº Loans	5,165	2,784	852	284	378
% Portfolio	56.32%	23.02%	11.97%	4.81%	3.86%
Geog. Concen	51% Andalucia	99% Valencia	67% Navarra	96% Aragon	94%C.Leon
WALTV	64.13%	60.91%	57.63%	58.76%	64.55%
Seasoning (yrs)	1.38	2.69	1.6	1.72	1.45

Management Company

Moody's views the experience of the management company (gestora), Europea de Titulización, as a strength. The gestora's obligations within the structure are guaranteed by its shareholders in proportion to their holdings. BBVA accounts for 83% of the gestora's capital. The remainder is owned by 15 institutions including JP Morgan 4%, Caja de Ahorros del Mediterráneo 1.54%, Bankinter 1.53%, Barclays Bank 1.53% and Citibank España 1.53%.

MOODY'S ANALYSIS

Moody's rating process involves a Collateral, Structural and Legal Analysis

Although Moody's analysis is based on the aggregate portfolio, we also analyse the strengths and weaknesses of each portfolio separately.

In order to analyse the risk of the transaction and to assess the size of the credit enhancement consistent with the rating assigned, Moody's adopts a three-part focus to its analysis:

- **Collateral Analysis** - Although *Moody's does not believe that any predetermined model can accurately reflect all of the possible risk factors and combinations* within the Spanish mortgage market, a quantitative-based model (Loan-by-Loan) has been developed to assist in the analysis of mortgage loans under various conditions.

  Under the loan-by-loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following three ways:
  - Deriving a *benchmark credit enhancement numbe*r based on its loan-to-property value ratio (LTV). This number assumes that all of the characteristics of the loan (other than LTV) are identical with those of a good quality *benchmark loan*.
  - Assumptions: In the loan-by-loan model, a benchmark credit enhancement figure is obtained by taking into account each loan's current LTV level, and by penalising or benefiting any parameter that on aggregate may shift from our benchmark loan assumption. The model takes into account the following severity of loss assumptions: (1) house price decline is 30%, (2) interest rates going up to 8%, (3) 27 months to sell a property, and (4) 7% costs associated with the sale of the property. High interest rates affect the affordability, but also increase the severity over the period in which repossession takes place. This period has been assumed to be 27 months, which is approximately twice as long as currently experienced. We also assumed the cost of the sale to be 7%.
  - *Modifying* the resultant *benchmark credit enhancement number* for each loan so as to reflect how the individual characteristics of that loan differ from those of a benchmark loan. These adjustments can be both qualitative and quantitative.
  - Adding the enhancement levels for each loan in the pool together, and then adjusting this result based on the overall *concentrations of certain loan characteristics* in the pool.
  - The results of this loan by loan model are then reviewed by the rating committee along with performance data that has been provided by the originator, and information available to Moody's from previously securitised pools.
- **Structural Analysis**: This considers how the cash flows generated by the mortgage collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.
- **Legal Analysis:** Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its structural analysis.

For more information regarding Spanish MBS rating methodology refer to Moodys.com – "Spanish Residential Mortgage Backed Securities, An Introduction to Moody's Rating Approach".

RATING SENSITIVITIES AND MONITORING

Monitoring

In its capacity as management company, Europea de Titulización, S.G.F.T, S.A. will prepare quarterly monitoring reports with respect to the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data. Moody's will monitor this transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

Previous transactions

For more details of Moody's approach to this type of transactions as well as similar transactions, please refer to the following reports:
RURAL HIPOTECARIO I NIR + PERFORMANCE OVERVIEW
RURAL HIPOTECARIO II NIR + PERFORMANCE OVERVIEW
RURAL HIPOTECARIO III NIR + PERFORMANCE OVERVIEW

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