Rural Hipotecario VI Fondo de Titulización de Activos

Multi-Seller MBS Spain

***PLEASE NOTE:** This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of June 2004. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **prospective** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

CLOSING DATE

[June 2004]

Lead Analyst

José de Leon
AVP-Analyst
Madrid
(34) 91 702 6697
Jose.deleon@moodys.com

Backup Analyst

Alberto Barbachano
Associate Analyst
Madrid
(34) 91 702 6601
Alberto.Barbachano@moodys.com

New York

Marie Erickson
Investor Liaison Specialist
(1) 212 553 4796
Marie.Erickson@moodys.com

Client Service Desk

London: (44) 207 772 5454
csdlondon@moodys.com

Monitoring

London: (44) 20 7772 5399
monitor.london@moodys.com

Frankfurt: (49) 69 7073 0731
monitor.frankfurt@moodys.com

Paris: (33) 1 53 30 1074
monitor.paris@moodys.com

Madrid: (34) 91 702 6601
monitor.madrid@moodys.com

Milan: (39) 02 5821 5596
monitor.milan@moodys.com

Johannesburg: (27) 11 217 5470
monitor.johannesburg@moodys.com

WEBSITE

www.moodys.com

RATINGS

Series	Rating	Amount	% of Total	Legal Final Maturity	Maturity Expected
A	(P)**Aaa**	€909,100,000	95.70%	17/10/2036	30/11/2033
B	(P)**A2**	€28,500,000	3.00%	17/10/2036	30/11/2033
C	(P)**Baa3**	€12,400,000	1.30%	17/10/2036	30/11/2033
Total		€950,000,0000	100%		

The ratings address the expected loss posed to investors by the legal final maturity. The structure allows for 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 have not been addressed, but may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- 100% of the loans secured by a first lien residential mortgage guarantee
- Basis swaps provided by Banco Cooperativo Español (**A2**/**P-1**) hedging the basis risk
- Excess spread-trapping mechanism through an 18 months "artificial write-off" mechanism
- Most of the properties securing the loans are used as primary residences (92.50%) and 100% of the loans are paid by direct debit

Weaknesses and Mitigants

- A portion of the collateral consists of over 80% LTV loans (11.26%), which leads to a higher expected default frequency and more severe losses. The increased risk was reflected in the Credit Enhancement calculation.
- Geographical concentration in the region of Andalusia (29.40%), Moody's mitigates the potential increase in the volatility of losses in light of the fact that the highest concentrations require additional credit enhancement.
- Pro-rata amortisation of the Classes B and C of notes leads to reduced credit enhancement of the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes as the performance of the transaction deteriorates.

STRUCTURE SUMMARY

Issuer:	Rural Hipotecario VI Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator/Servicer:	Caja Rural Intermediterránea (23.13%), Caja Rural de Navarra (17.22%), Caja Rural del Sur (16.30%), Caja Rural del Mediterráneo, Ruralcaja (12.85%), Caja Rural de Aragón (7.90%), Caja Rural de Tenerife (5.48%), Caja Campo, Caja Rural (4.25%), Caja Rural de Ciudad Real (3.68%), Caixa Rural de Balears (3.58%), Caja Rural de Zamora (3.54%), Caja Rural de Teruel (1.36%), Caixa Rural La Vall "San Isidro" (0.70%)
Payment Dates:	17 January, 17 April, 17 July, 17 October
	First payment date: 17 October 2004
Interest Payments:	Quarterly on each payment date
Notes Amortisation:	Pass-through until the final maturity
Credit Enhancement/Reserves:	Excess spread
	1.14 % reserve fund
	Subordination of the notes
Hedging:	Basis swap to cover interest rate risk
Interest Rate Swap Counterparty:	Banco Cooperativo Español (**A2**/**P-1**)
Paying Agent:	Banco Cooperativo Español (**A2**/**P1**)
Management Company (*Gestora*):	Europea de Titulización S.G.F.T, S.A
Arranger:	Europea de Titulización S.G.F.T, S.A
Lead Managers:	Banco Cooperativo, DZ Bank, JP Morgan, Société Générale

PROVISIONAL POOL (AS OF 9TH JUNE 2004)

Collateral:	First-lien mortgage loans
Total Amount:	€1.06 bln
Highest Exposure:	€387,382
Number of Contracts:	14,077
Geographic Diversity:	Region of Andalusia (29.40%), Valencia (16.81%), Navarra (8.91%)
WA LTV:	65.52%
WA Remaining Term:	21.73 years
Seasoning:	1.36 years
Delinquency Status:	No loans more than 30 days in arrears at closing date
Interest Basis:	Floating (100%)
WA Interest Margin:	Euribor/Mibor (84.35%) + 95% , CECA (0.02%) + 41 bps, IRPH (15.63%) + 0.16%%

OVERVIEW

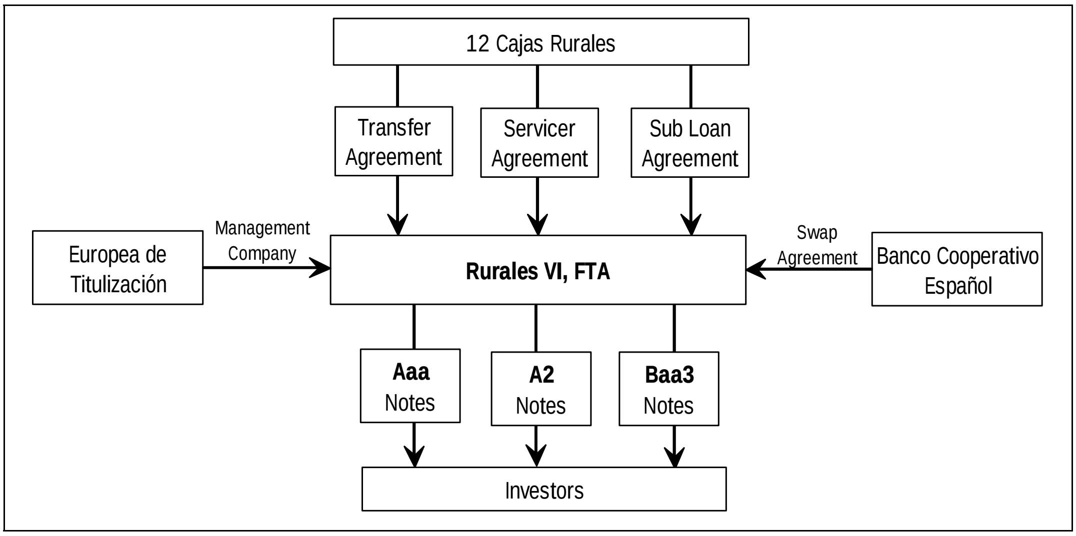
Securitisation of firs-lien residential mortgage loans granted to individuals

This transaction marks the Cajas Rural sixth 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 the Spanish economy and low interest rates has facilitated the group to grow beyond its initial client base.

The transaction consists of three rated classes and a reserve fund: a senior tranche equal to €909,100,000 rated (P)**Aaa**; a mezzanine tranche and a subordinated tranche for amounts equal to €28,500,000 and €12,400,000, respectively. The reserve fund is fully funded by the originators at the closing date.

The product being securitised consists of first lien residential mortgage loans granted to individual resident in Spain, who in most cases will use these loans to acquire or refurbish a primary residence (only 7.48% of the loans are granted to acquired second homes, or not data was specified (0.02%)). Around 11.26% of the portfolios have loans with LTVs over 80%.

STRUCTURAL AND LEGAL ASPECTS



With this transaction, 12 Spanish co-operative banks will sell a portfolio of loans to Rural Hipotecario VI, FTA (the "Fondo"), which in turn will issue three Classes of notes to finance the purchase of the loans (at par). The capital structure consists of:

- A subordinated Class C rated **Baa3**
- A mezzanine Class B rated **A2**
- A senior Class A rated **Aaa**

Each series of classes is supported by the classes subordinated to itself, a cash reserve and the excess spread stemming from the underlying collateral. The swap agreement will also hedge the Fondo against the basis risk derived from having different index reference rates on the assets and notes sides.

In addition, the Fondo will benefit from a €[13.3] million subordinated loan provided by the originators to fund the starting expenses and the notes' issuance costs.

Basis swap

To hedge the potential mismatch risk derived from the different index reference rates on the assets side and the notes side, the Fondo will enter into a swap agreement with Banco Cooperativo Español (**A2**/**P1**). Under the agreement, the index reference rates on the underlying mortgage loans are exchanged against the index reference rate on the notes. Margins on loans referenced to IRPH, which have been renegotiated downwards, will be calculated at their existing level previous to the relevant renegotiation. This mechanism ensures the margin for loans referenced to indices other than Euribor.

In the event of the swap counterparty's long-term rating being downgraded below **A1**, within 10 business days it will have to (1) collateralise its obligation under the swap agreement in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute. Any failure by the swap-counterparty to comply with these conditions will constitute an event of default under the swap agreement.

Reserve fund to help the Fondo meet its payment obligations

The second layer of protection against losses is a reserve fund provided by the 12 originators and fully funded upfront. It will be used to cover potential shortfalls on interest or principal on an ongoing basis.

At every point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

1) 1.14 % of the initial balance of the notes
2) The higher of the following amounts:
   - [2.28] % of the outstanding balance of the notes.
   - [0.57] % of the initial balance of the notes

Amortisation of the reserve fund will cease if any of the following scenarios occur:

- The arrears level exceeds 1%
- The reserve fund is not funded at its required level on the previous payment date

Treasury Account and Amortisation Account

All of the payments under the loans in the mortgage portfolio are collected by the originators under a direct debit scheme and are paid directly into each originator collection accounts. Cash in the collection accounts must be transferred by the originators on a daily basis to the issuer's Guaranteed Interest Contract (GIC) Treasury account held by Banco Cooperativo Español (**A2**/**P-1**).

Moody's has set up some triggers in order to protect the treasury account from the possible downgrade of the short-term rating of Banco Cooperativo. Should Banco Cooperativo's short-term rating fall below **P-1**, it will have to perform any of the following actions in the indicated order of priority within 10 business days:

1) Find a suitably rated guarantor or substitute.
2) Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
3) Invest the outstanding amount of the treasury account in securities issued by a **P-1** rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less [6]bps pa.

Limitations on the renegotiation of the loans

Any renegotiation of the terms and conditions of the loans is subject to the *gestora*'s approval. Exceptionally, the *gestora* may authorise the originators to renegotiate the interest rate or the maturity of the loans subject to the following conditions:

1) If the weighted average margin of the loans is less than 0.80% calculated over 12 month Euribor, the originator has agreed to pay the fund, for each revised participated loan, the modified margin until the loan is repaid. However, the originator is not allowed to renegotiate the interest rate of any loan if that weighted average margin falls below 0.70% calculated over 12 month Euribor.
2) The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
3) The maturity of any loan cannot be postponed later than 15 September 2034.
4) The frequency of payments cannot be decreased.
5) The repayment system cannot be modified.

Payment Structure Allocation

On each quarterly payment date, the Fondo's available funds (principal and interest received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1) Cost and fees, excluding servicing fee (except in the case of the originators being replaced as servicer of the loans)
2) Net amounts due under the swap agreement and any termination payment if the Fondo is the sole affected party
3) Interest payment to Class A
4) Interest payment to Class B (if not deferred)
5) Interest payment to Class C (if not deferred)
6) First amortisation fund
7) Interest payment to Class B notes (if deferred)
8) Second amortisation fund
9) Interest payment to Class C notes (if deferred)
10) Third amortisation fund
11) Replenishment of the reserve fund
12) Termination payments under the swap agreement other than stated in 2.
13) Junior expenses

Interest Deferral Mechanism

The deferral of interest payments on Classes B and C benefits the repayment of the senior class, but increases the default probability on the first classes (B and C). This negative effect for Classes B and C is mitigated by setting the deferral trigger at a level in which the increase in the probability of default is consistent with the rating assigned to the Classes B and C notes.

The payment of interest on the Classes B and C notes will be brought to a more junior position on the second consecutive payment date in which the following criteria are met:

Class B:	• The principal deficiency exceeds 50% of the initial outstanding balance of Class B notes plus 100% of the initial outstanding balance of Class C notes, and • Class A notes are not fully redeemed
Class C:	• The principal deficiency exceeds 50% of the initial outstanding balance of Class C notes, and • Classes A and B notes are not fully redeemed

The principal due to the notes incorporates an 18 month "artificial write-off" mechanism

In fact, the transaction structure, for the notes benefits from an "artificial write off", which traps available excess spread to cover losses (if any). This type of "artificial write-off" is hidden in the definition of Principal Due, which is the difference between the notes outstanding and the outstanding principal balance of the loans (performing loans plus loans less than 18 months in arrears).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, - hence the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is greater (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost): the transaction, therefore, makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above.

Principal due allocation mechanism

As in the previous Rurales transactions, this transaction also includes pro-rata amortisation. Pro-rata amortisation entails risk as opposed to fully sequential transactions, given that the credit enhancement decreases in absolute terms.

Until the payment date on which the outstanding amount of Classes B and C notes exceeds 6.0% and 2.61% of the outstanding amount under all series, respectively, the amount retained as principal due will be used for the repayment of Class A. Once Classes B and C start to be amortised, the amount retained as principal due will be pro-rata distributed among the three series, so that the percentages indicated above are kept at any payment date thereafter. Nevertheless, amortisation of Classes B and C will not take place on the payment date on which any of the following events occur:

Class B	Class C
• The arrears level exceeds 1.5%	• The arrears level exceeds 1%
• The cash reserve is not funded at its required level	
• The loan balance is less than 10% of the initial loan balance	

COLLATERAL – REFERENCE PORTFOLIO

Granular pool of mortgage loans concentrated in the region of Andalusia

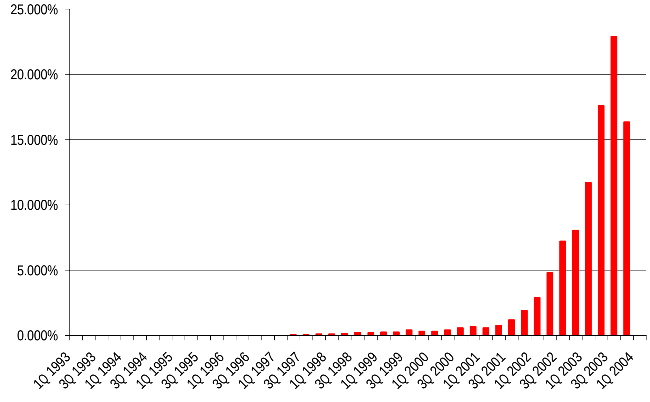
As of June 2004, the portfolio comprised 14,077 loans, representing a provisional portfolio of €1.06 billion. The loans have been granted in order to finance the purchase (93.90%), building and renovation (6.10%) of residential homes located in Spain. The mortgages consist of first residence on residential properties that are believed to be owner-occupied in most cases (92.50%). All the properties on which the mortgage security has been granted are covered by property damage and fire insurance. At closing date there will be no loans more than 30 days in arrears.
In terms of debtor concentration, the pool is quite granular: the highest exposure is [0.036]% of the outstanding of the provisional pool. Furthermore, the sum of the 100 highest debtors represents only [2.838]% of the pool.

Geographically the portfolio is concentrated in Andalusia (29.40%), Valencia (16.81%) and Navarra (8.91%). The current weighted average LTV is 65.52%. Compared to previous Rurales transactions, Rural VI features a higher portion of loans (11.26% vs. 7.25% in Rural V) of the portfolio with high LTVs (over 80% LTV). It is worth mentioning that the introduction of loans with LTV levels over 80% is becoming increasingly common in the Spanish securitisation market. The average loan is €75,556, and the highest loan is €387,382. The loans are originated between 1993 and 2003 with a weighted average seasoning of 17 months. In the portfolio there are some loans which include Interest Rate “Caps” (59.68%), which are hedged through the swap agreement.

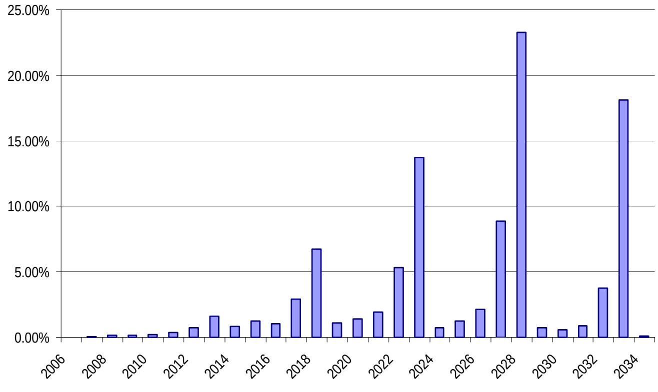
Almost all the loans are paid through monthly instalments (98.44%). Instalments are debited to accounts which are held by the debtors at the relevant originator. Moody’s views this feature as a positive characteristic since delinquencies are likely to be tracked more easily.

We have also tracked the historical arrears information of the securitised pools in previous Rurales transactions. Although these loans have underperformed the Spanish average, as shown by the fact that, in some of the observed vintages, the securitised pools have arrears twice the size of the Spanish average, it still remains in line with the European RMBS Market. This negative performance has been penalised when calculating the Credit Enhancement by stressing the expected loss hypothesis and the Loan by loan output. However, it is worth mentioning that since the last transaction (Rural Hipotecario V, FTA), the structures are protected with tighter performance triggers (stop pro-rata and stop Reserve Fund’s amortisation triggers) and with an 18 month write-off mechanism, by which the excess spread can be trapped more effectively.

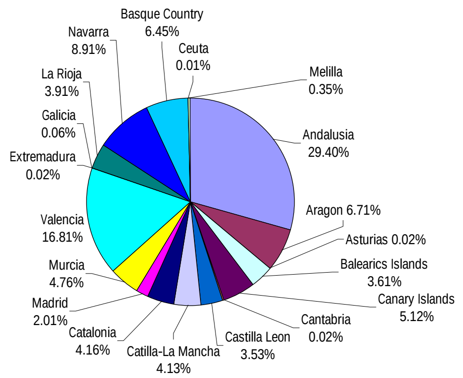
Portfolio Breakdown by Year of Origination



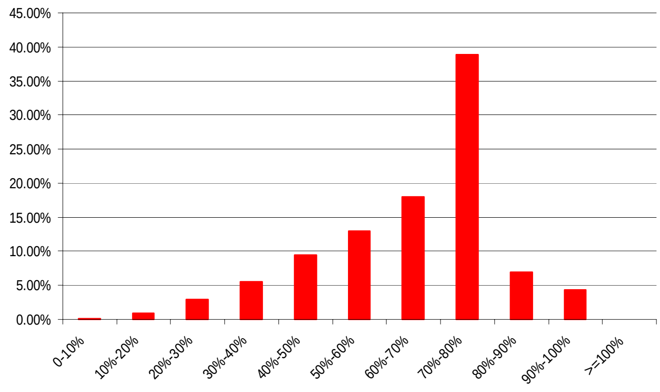
Portfolio Breakdown by Maturity



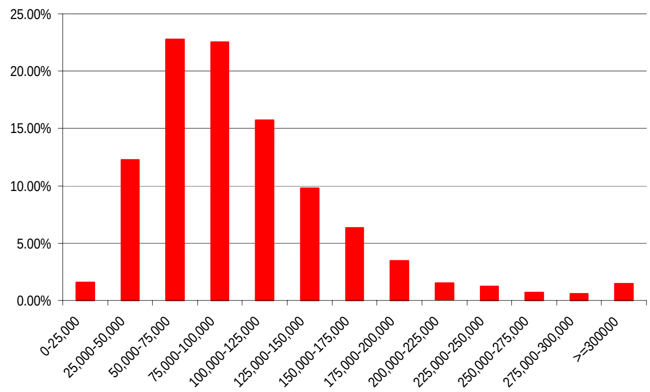
Portfolio Breakdown by Geographic Concentration



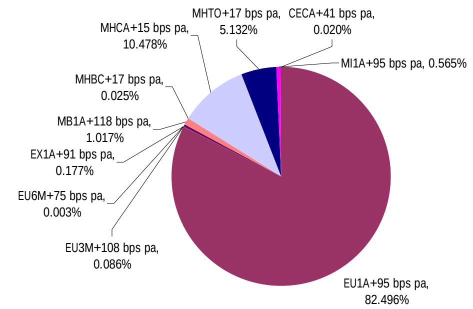
Portfolio Breakdown by Current LtV



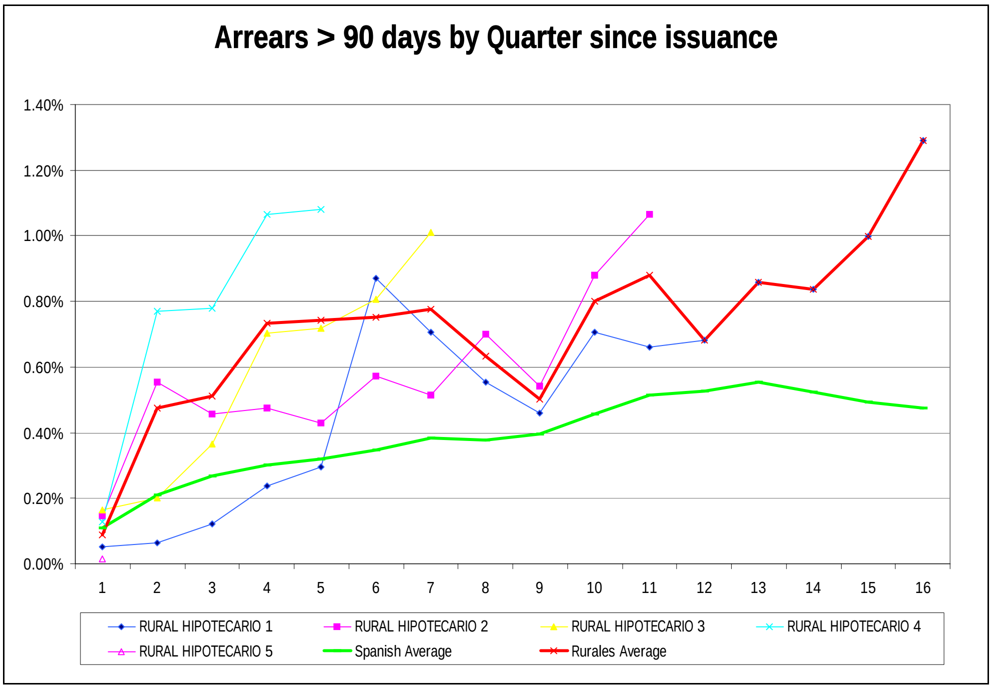
Portfolio Breakdown by Loan Size



Portfolio Breakdown by Reference Index and Average margin



Performance data on previous Rural transactions



ORIGINATOR, SERVICER AND DUE DILIGENCE

Originators

The Cajas Rurales group is present in almost every region in Spain and has assets totalling €16 billion. The group currently comprises 74 savings institutions and co-operative institutions. Moody's believes each originator is capable of fulfilling its servicing obligations in the transaction.

Banco Cooperativo Español (A2/P-1)

Banco Cooperativo's main objective is not to maximise profits but to be an all-round service provider to the Cajas Rurales, with the aim of strengthening the competitive advantages of this sector which accounts approximately for 5% of Spain's financial system. The bank is currently owned by 74 Cajas Rurales in Spain, which are associated under a federal model. German co-operative central bank DZ Bank (**A2**/**P-1**/**D**) also has a 15% ownership stake in Banco Cooperativo.

Management Company

The management company (*gestora*), Europea de Titulización, is an experienced company in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders in proportion of their holding. 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

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 in 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 (Loan-by-Loan) model 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 four ways:

  Deriving a benchmark credit enhancement number 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 to those of a good quality *benchmark loan*.

Quantitative analysis

- 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 waiving 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 declining by 30%, (2) interest rates rising to 8%, (3) Property sale taking 27 months and (4) Property associated sale costs of 7%. 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 he overall *concentrations of certain loan characteristics* in the pool. The result of this Loan-by-Loan model is 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**: Moody's considers how the cash flows generated by the 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. In addition, Moody's ensures that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.
- **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

Europea de Titulización, S.G.F.T, S.A, in its capacity as management company, 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. Any subsequent changes to the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions, please refer to the following reports:

- RATING METHODOLOGY: "Spanish Residential Mortgage-Backed Securities, An Introduction to Moody's Rating Approach", July 2001
- SPECIAL REPORT: "Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities Overall Credit Quality of Spanish RMBS Transactions Remains Strong, According to New Index", March 2002
- RATING METHODOLOGY: "The Lognormal Method Applied to ABS Analysis", July 2002
- SPECIAL REPORT: "Moody's Spanish RMBS Arrears Index Delinquency Levels Remained Persistently Low in 2002 but are Likely to Rise Given Weakening Global Economy and Factors Affecting Homeowners' Indebtedness", May 2003
- SPECIAL REPORT: "Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread", January 2004
- RURAL HIPOTECARIO I Pre-sale report + Performance Overview
- RURAL HIPOTECARIO II Pre-sale report + Performance Overview
- RURAL HIPOTECARIO III Pre-sale report + Performance Overview
- RURAL HIPOTECARIO IV Pre-sale report + Performance Overview
- RURAL HIPOTECARIO V Pre-sale report + Performance Overview

SF39461isf