

## FITCH AFFIRMS RURAL HIPOTECARIO SERIES

Link to Fitch Ratings' Report: Fitch Affirms Rural Hipotecario Series

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=716816](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=716816)

Fitch Ratings-London/Madrid-19 August 2013: Fitch Ratings has affirmed 32 tranches of the Rural Hipotecario (Rural Global and VI-XII), a series of Spanish RMBS. A full list of rating actions is available at [www.fitchratings.com](http://www.fitchratings.com) or by clicking on the link above.

### KEY RATING DRIVERS

#### Performance Within Expectation

The affirmations of all the tranches reflect the solid asset performance and the credit enhancement levels which are deemed sufficient to withstand Fitch's rating stresses. Loans in arrears by more than three months ranged between 1.3% (Rural Hipotecario VI) to 3.2% (Rural Hipotecario IX) of the current pool balance, while cumulative gross defaults ranged between 0.5% and 3% of initial pool balance. In recent periods, more loans rolled into default for all transactions, resulting in reserve fund draws across all transactions except for Rural VII.

#### Exposure to Payment Interruption

For Rural Global, Rural VI-VIII and X-XII, the current reserve fund levels including Fitch's expected loss are sufficient to cover six months' worth of class A interest, senior expenses and net swap payments in the event of default of any one of the servicers.

Meanwhile, Rural IX's reserve fund continues to be drawn due to provisioning for defaulted loans and presently stands at 44% of its target amount. However, the transaction documents suggest that the swap counterparty can only terminate the swap if non-payment occurs on two consecutive payment dates, which in Fitch's view, is enough time for funds to have begun to flow again following a payment interruption. For this reason the agency considers a detrimental swap termination event could be avoided should any of the servicers jump to default. As payment disruption is only expected to result in a limited deferral of senior note interest and no other detrimental events, Fitch considers the highest rating of 'A-sf' to be commensurate with this risk.

### RATING SENSITIVITIES

The Negative Outlooks on 28 tranches reflect the uncertainty associated with changes to the mortgage enforcement framework. The eventual effects of framework changes on borrower payment behaviour, recovery timing and amounts are currently unclear and will be factored into Fitch's analysis as they emerge.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

In addition to those mentioned in the applicable criteria, the sources of information used to assess these ratings were investor reports and pool tapes.

Applicable criteria: 'Global Structured Finance Rating Criteria', dated 24 May 2013, 'EMEA RMBS Residential Mortgage Loss Criteria', dated 6 June 2013, and 'EMEA Criteria Addendum - Spain - Mortgage and Cashflow Assumptions', dated 20 March 2013, are available at [www.fitchratings.com](http://www.fitchratings.com).

Applicable Criteria and Related Research:

Global Structured Finance Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708661](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661)

EMEA Residential Mortgage Loss Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=709915](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=709915)

EMEA Criteria Addendum - Spain - Amended

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=701809](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=701809)

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