



Tagging Info

Correct: Fitch Assigns Rural Hipotecario XIV F.T.A. Final Ratings Ratings Endorsement Policy
16 Sep 2013 12:39 PM (EDT)

Fitch Ratings-London/Madrid-16 September 2013: This announcement corrects the version published on 16th July 2013, which incorrectly stated some ratios of the mortgage pool.

Fitch Ratings has assigned Rural Hipotecario XIV F.T.A.'s mortgage-backed floating-rate notes due May 2055 final ratings, as follows:

EUR202,500,000 class A notes 'Asf'; Outlook Negative
EUR22,500,000 class B notes: 'Bsf'; Outlook Negative

The transaction is a securitisation of a EUR225m static pool of Spanish residential mortgage loans, originated and serviced by Bantierra (the originator, unrated). This is the first standalone securitisation of mortgage loans originated by Bantierra, while the originator has participated in various multi-seller RMBS transactions in the past eight years. The ratings address timely payment of interest and ultimate payment of principal on the class A notes, and ultimate payment of interest and principal on the class B notes by the legal final maturity date of the notes in May 2055.

KEY RATING DRIVERS

In deriving the lifetime default rate of the securitised portfolio under a base case scenario, Fitch has adjusted upwards the observed default rates by a factor of 1.1x. This upward adjustment captures our opinion that the historical default rates do not entirely reflect the risk attributes of the securitised pool which is linked to younger vintages 2009 to 2012. Fitch received historic cumulative arrears data covering 2004 to 2008 from Bantierra based on its past RMBS securitisation transactions.

The underlying assets are judged to be of prime quality as all positions are first-lien residential mortgage loans, with a moderate weighted average (WA) OLTV of 69.2%. The WA indexed CLTV derived by the agency is of 74.9%, which captures a WA loan seasoning of 59 months. Fitch believes one key risk attribute of this portfolio is its high geographical concentration in the region of Aragon, and consequently has incorporated into its analysis a probability of default hit of 1.15x for these loans.

Fitch believes that servicer disruption risk, caused by the default of the collateral servicer, is adequately mitigated by the incorporation of purpose-specific liquidity reserves and the appointment of a cold back up servicer, Banco Cooperativo Espanol S.A. (BCE, 'BBB'/Negative/'F3'). BCE provides the Spanish Credit Cooperative Group with a common range of services and uses the same IT systems.

Fitch has accommodated within its cash flow analysis potential stresses derived from basis and reset risks, as the structure is unhedged. The notes are referenced to three-month EURIBOR with quarterly resets, while most loans are referenced to 12-month EURIBOR with annual or bi-annual resets. In the agency's view, structural credit enhancement for the class A notes (15%) and for the class B notes (5%) is sufficient to adequately mitigate these risks at the relevant stress scenario.

RATING SENSITIVITIES

Fitch believes the key risks that can introduce volatility to the ratings are house price declines beyond Fitch's expectations, as these could limit recoveries, and a change of the current legal framework materially weakening the full recourse nature of the Spanish mortgage market as such scenario could change borrower payment behaviour. The Negative Outlook on the notes reflects the uncertainty associated with changes to the mortgage enforcement framework, which could affect borrower payment behaviour and recovery timing.

Fitch's expectation under a 'Bsf' rating scenario is linked to a WA lifetime loss rate of 4.2%, which results from a WA foreclosure frequency assumption (WAFF) of 7.3% and a WA recovery rate (WARR) expectation of 42.1%. The assumed WA loss rate in an 'A' rating scenario is of 11.4%.

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Additional information is available at www.fitchratings.com.

The information used to assess the ratings was provided by Europea de Titulizacion SGFT.

Applicable criteria, "EMEA Residential Mortgages Loss Criteria", dated 06 June 2013, "EMEA Criteria Addendum - Spain", dated 20 March 2013, "Counterparty Criteria for Structured Finance and Covered Bonds", dated 13 May 2013, are available at www.fitchratings.com.

Applicable Criteria and Related Research:

EMEA Residential Mortgage Loss Criteria
EMEA Criteria Addendum - Spain - Amended
Counterparty Criteria for Structured Finance and Covered Bonds

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