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## Fitch Affirms 36 Tranches of Rural Hipotecario Series; Revises Outlook on 5

**Link to Fitch Ratings' Report:** Fitch Affirms 36 Tranches of the Rural Hipotecario Series; Revises the Outlook on 5 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=867535](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=867535))

Fitch Ratings-London-18 June 2015: Fitch Ratings has affirmed the Rural Hipotecario series, comprising 36 tranches in 12 Spanish RMBS transactions originated by multiple rural savings banks, and revised the Outlook on five of these tranches. A full list of rating actions is available at [www.fitchratings.com](http://www.fitchratings.com) or by clicking the link above.

### KEY RATING DRIVERS

#### Stabilising Asset Performance

Over the last 12 months, loans with more than three monthly overdue payments continued the decreasing trend. Currently, late-stage arrears span from 0.1% of the collateral balance (Rural Hipotecario 17) to 1.4% (Rural Hipotecario 9, 10, 11 and Global 1), compared with the Spanish RMBS average of 1.5%.

Over the same period, cumulative defaults (loans with more than 18 unpaid instalments) continued to increase and are now reported between 0.04% (Rural Hipotecario 17) and 4.3% (Rural Hipotecario 9), still below the Spanish RMBS average of 5%.

Rural Hipotecario 6, 7 and 8 have experienced a more stable asset performance, which Fitch attributes to low cumulative loan to value (CLTV; approximately 43%) and high average seasoning (around 140 months). Conversely, Rural Hipotecario 9, 10, 11 and 12, which are backed by loans originated at the peak of the market and therefore subject to more adverse pool characteristics, have shown higher arrears and defaults.

The stabilisation in the performance of Rural Hipotecario 10 and 11 over the past 12 months is reflected in the affirmation of the ratings. Nevertheless, this improvement is partially supported by the refinancing opportunity given to borrowers, as underlined by the prepayment rates registered in the period December 2014-January 2015, which were significantly higher than in the rest of the transactions.

#### SME Mortgages Exposure in Global 1

Commercial loans, representing around 25% of the Global 1 pool at closing in November 2005, contributed to their more volatile arrears and defaults to date, compared with other deals that closed around the same period. However, over the last year, loans granted to SMEs decreased to 10.4% from 15%. Therefore, Fitch expects such risk factor to be less influential on the transaction's performance going forward.

#### Sufficient Credit Enhancement

Credit enhancement (CE) is sufficient to withstand current rating stresses, as reflected in the affirmation of the ratings across the series. Also, the combination of a stable asset performance and sufficient credit protection has led to the positive revision of the outlook on some tranches, as indicated in the rating report.

### RATING SENSITIVITIES

A revision of the structured finance 'AA+sf' rating cap for Spain could result in rating changes to the tranches at the sovereign cap.

A worsening of the Spanish economic environment, especially employment conditions, or an abrupt shift in the underlying interest rates might jeopardise the underlying borrowers' affordability. Also, an increase in the interest rates beyond Fitch's expectation may have a negative impact on the latest transactions of this series (Rural Hipotecario 14, 15, 16 and 17), as they are exposed to basis and reset risk.

### DUE DILIGENCE USAGE

No third party due diligence was provided or reviewed in relation to this rating action.

### DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that were material to this analysis. Fitch has not reviewed the results of any third party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Applicable to Rural Hipotecario Global 1 and Rural Hipotecario 6, 7, 8, 9, 10, 11 and 12:

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Applicable to Rural Hipotecario 14, 15, 16 and 17:

Prior to the transactions' closing, Fitch reviewed the results of a third party assessment conducted on the asset portfolio information, which indicated no adverse findings material to the rating analysis.

Prior to the transactions closing, Fitch conducted a review of a small targeted sample of the originators' origination files and found inconsistencies or missing data related to the borrowers' net income information. These findings were considered in this analysis by assuming 100% pool allocation to the highest debt-to-income class.

Overall, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

#### SOURCES OF INFORMATION

The information below was used in the analysis.

-Loan-by-loan data provided by Europea de Titulizacion as at February 2015 (Rural Hipotecario 9, 10, 14 and 15), March 2015 (Rural Hipotecario 7, 11 and 12) and April 2015 (Rural Hipotecario Global 1, Rural Hipotecario 6, 8, 16 and 17)

-Transaction reporting provided by Europea de Titulizacion as at April 2015

#### MODELS

EMEA RMBS Surveillance Model. ([https://www.fitchratings.com/web\\_content/pages/rmbs/emea-rmbs-surveillance-model.htm](https://www.fitchratings.com/web_content/pages/rmbs/emea-rmbs-surveillance-model.htm))

#### REPRESENTATIONS AND WARRANTIES

A comparison of the transaction's Representations, Warranties & Enforcement Mechanisms to those typical for the asset class is available by accessing the appendix that accompanies the initial new issue report (see Rural Hipotecario XIV - Appendix, Rural Hipotecario XV - Appendix, Rural Hipotecario XIV - Appendix dated 17 September 2013, Rural Hipotecario XVII - Appendix dated 24 July 2014 at [www.fitchratings.com](http://www.fitchratings.com)). In addition refer to the special report "Representations, Warranties, and Enforcement Mechanisms in Global Structured Finance Transactions" dated 12 June 2015 available on the Fitch website.

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

#### Applicable Criteria

EMEA Residential Mortgage Loss Criteria (pub. 31 Mar 2015)

([https://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=864266](https://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=864266))

Counterparty Criteria for Structured Finance and Covered Bonds (pub. 14 May 2014)

([https://www.fitchratings.com/creditedesk/reports/report\\_frame.cfm?rpt\\_id=744158](https://www.fitchratings.com/creditedesk/reports/report_frame.cfm?rpt_id=744158))

Counterparty Criteria for Structured Finance and Covered Bonds: Derivative Addendum (pub. 14 May 2014)

([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=744175](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744175))  
 Criteria Addendum: Spain - Residential Mortgage Assumptions (pub. 10 Jun 2015)  
 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=866760](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=866760))  
 Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (pub. 20 Feb 2015)  
 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=862115](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=862115))  
 EMEA RMBS Cash Flow Analysis Criteria (pub. 31 Mar 2015)  
 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=864265](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864265))  
 Global Criteria for Lenders' Mortgage Insurance in RMBS (pub. 23 Jun 2014)  
 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=749070](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=749070))  
 Global Structured Finance Rating Criteria (pub. 31 Mar 2015)  
 ([https://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=864268](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=864268))

### Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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