Seven tranches in six Spanish ABS also placed on downgrade review as part of wider sector review

Seven tranches in six Spanish ABS have also been placed on downgrade review as part of wider sector review; for full details please refer to "Moody's reviews for downgrade 7 Spanish ABS notes following the downgrade of the Kingdom of Spain", published on 4 November 2011.

Moody’s believes that for Spanish RMBS to achieve a Aaa(sf) rating the minimum level of credit enhancement should be in the range of 15% to 20% depending on pool characteristics. For today's action, Moody's assessed the Aaa(sf) ratings of Spanish RMBS tranches with credit enhancement levels in or below the minimum range listed above. In addition, Moody's focused on tranches rated in the Aa(sf) category that have credit enhancement below 70% of the minimum ranges listed above.

Moody's is maintaining its Aaa(sf) rating on a number of transactions with credit enhancement levels lower than the minimum range of 15% to 20% because of the significant differences in the quality of portfolios of different Spanish originators. In its assessment of RMBS transactions, Moody's considered the vintage of the deal, the current collateral performance and the increase in credit enhancement expected over the near term. In addition, Moody's did not place on review for downgrade senior notes with very short remaining lives.

In relation to RMBS transactions originated on or before 2005 with good asset performance and highly seasoned collateral, Moody's is maintaining the Aaa(sf) rating for notes with a credit enhancement equal or greater than 10% and the ratings in the Aa(sf) category for notes with a credit enhancement equal or greater than 7%. Moody's has placed on review for downgrade the notes in 15 transactions that did not meet these criteria. Moody's has also placed on review the senior note of TDA CAM 5 which has relatively low credit enhancement to mitigate the below average collateral performance.

In the case of transactions closed on or after 2006, Moody's has placed on review for downgrade (i) the Aaa(sf) for most notes with credit enhancement below 15%, and (ii) notes rated in the Aa(sf) category with credit enhancement below 10.5%. In the case of transactions with below average collateral performance, Moody's has placed on review for downgrade the Aaa(sf) notes with credit enhancement below 20% and notes rated in Aa(sf) category with credit enhancement below 14%.

Key modelling assumptions, sensitivities, cash-flow analysis and stress scenarios have not been updated as today's action has been primarily driven by (i) credit enhancement tests; and (ii) Moody's assessment of the collateral performance and pool characteristics.

Uncertainty mainly stems from the negative outlook on the Spanish government's debt rating that reflects ongoing economic and financial risks in Spain. For full details, please refer to “Moody's downgrades Spain's government bond rating to A1 with a negative outlook”. The highest achievable structured finance rating for Spanish structured finance transactions may be revised progressively...
downwards if the likelihood of those events were to increase.

PRINCIPAL METHODOLOGIES

The principal methodology used in these ratings was Moody's Approach to Rating RMBS in Europe, Middle East, and Africa published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

In addition, the minimum credit enhancement required for each RMBS transaction in markets exposed to country-specific systemic risk is determined based on the assumptions with regards to the potential losses on the residential mortgage portfolios in case of a severe country-specific event. This minimum credit enhancement varies by country and it can be adjusted to take into account collateral quality. These adjustments are not expected to result in significant variations in minimum credit enhancements required for different RMBS transactions in countries such as Spain.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entities or their designated agent(s) and issued with no amendment resulting from that disclosure.

Information sources used to prepare each of the rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's did not receive or take into account a third-party assessment on the due diligence performed regarding the underlying assets or financial instruments related to the monitoring of these transactions in the past six months.

Moody’s considers the quality of information available on the rated entities, obligations or credits satisfactory for the purposes of issuing this review.

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Maria Turbica Manrique
Asst Vice President - Analyst
Structured Finance Group
Moody's Investors Service Espana, S.A
Calle Principe de Vergara, 131, 6 Planta
Madrid 28002
Spain
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Neal Shah
MD - Structured Finance
Structured Finance Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454
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