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## **Correct: Fitch Assigns Rural Hipotecario XV F.T.A. Final Ratings** Ratings

Endorsement Policy

16 Sep 2013 10:55 AM (EDT)

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Fitch Ratings-London/Madrid-16 September 2013: This announcement corrects the version published on 19th July 2013, which incorrectly stated some ratios of the mortgage pool.

Fitch Ratings has assigned Rural Hipotecario XV F.T.A.'s mortgage-backed floating-rate notes due May 2058 final ratings, as follows:

EUR476,100,000 class A notes 'Asf'; Outlook Negative  
EUR52,900,000 class B notes 'CCCsf'; Recovery Estimate of 90%

The transaction is a multi-originator securitisation of a EUR529m static pool of Spanish residential mortgage loans, originated and serviced by Caja Rural de Asturias, Caja Rural de Granada, and Caja Rural de Albacete, Ciudad Real y Cuenca (the originators, unrated). The final 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 2058.

### KEY RATING DRIVERS

In deriving the lifetime default rate of the securitised portfolio under a base case scenario, Fitch has adjusted the observed default rates upwards by a factor of 1.3x. This adjustment captures our opinion that the actual roll rates into default are unsustainable and cannot be relied on. Fitch received historical cumulative arrears data covering 2004 to 2012 from the originators based on their past RMBS securitisations.

Fitch believes the securitised portfolio has prime characteristics with 100% first lien positions, all residential mortgage loans with a moderate weighted average (WA) OLV of 66.5%, and an indexed WA CLTV of 69.8% estimated by the agency taking into consideration the almost five years of seasoning. The pool is mainly concentrated in three regions: Andalusia (33.0%), Asturias (27.8%) and Castilla La Mancha (34.2%).

Fitch believes that servicer disruption risk, caused by the default of one servicer, is adequately mitigated by the incorporation of purpose specific liquidity reserves and the appointment of a cold back-up servicer, Banco Cooperativo Espanol (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 incorporated potential stresses derived from basis and reset risks into the cash flow analysis, 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, bi-annual and quarterly resets.

In analysing recovery timing, as a consequence of the recently approved Decree Law 6/2013 in Andalusia, Fitch has increased the recovery timing in this region by up to a maximum of three years for first homes. Additionally, Fitch believes that the structure adequately mitigates the risk of recovery cash flows being obtained after the legal maturity of the notes, as there is a difference of 6.5 years between the final scheduled maturity date of the loans and that of the notes.

### RATING SENSITIVITIES

Fitch believes the key risks that could introduce volatility to the ratings are home price declines beyond 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 this scenario could change borrower payment behaviour. The Negative Outlook on the notes rated above 'CCCsf' reflects the uncertainty associated with changes to the mortgage enforcement framework.

Fitch's expectation under a 'Bsf' stress scenario is linked to a WA lifetime loss rate of 4.4%, which results from a WA foreclosure frequency assumption of 7.8% and a WA recovery rate expectation of 43.6%. The assumed WA loss rate in an 'A' rating scenario is of 11.9%.

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

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

Applicable criteria, "EMEA Residential Mortgages Loss Criteria", dated 06 June 2013, and the "EMEA Criteria Addendum - Spain", dated 24 April 2013, "Counterparty Criteria for Structured Finance and Covered Bonds", dated 13 May 2013, are available at [www.fitchratings.com](http://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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