FitchRatings

Fitch Assigns Rural Hipotecario XVII F.T.A. Final Rating

Ratings Endorsement Policy

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Fitch Ratings-London-04 July 2014: Fitch Ratings has assigned Rural Hipotecario XVII F.T.A.'s mortgage-backed floating-rate notes due January 2057 a final rating, as follows:

EUR90,000,000 class A notes assigned 'A+sf'; Outlook Stable
EUR11,124,000 loan B, unrated

The transaction is a multi-originator securitisation of a EUR101m static pool of Spanish residential mortgage loans, originated and serviced by Caja Rural (CR) de Navarra (BBB/Stable/F3) and the unrated entities CR de Aragon, CR de Granada and CR the Teruel (the originators). The ratings address timely payment of interest and ultimate payment of principal by the legal final maturity date of the notes in January 2057.

KEY RATING DRIVERS
Fitch's 'Bsf' rating loss rate assumption for the securitised portfolio (5.8%) is relatively high compared with those of previous rated securitisations in the same series (below 5%). The higher loss level is mainly driven by approximately 40% of the loans with above average original loan-to-value (OLTV) of up to 100%. However, the portfolio's weighted average (WA) OLTV remains moderate at 75%.

Fitch's analysis assumed all borrowers had a debt-to-income (DTI) ratio of 50%, due to inconsistencies in income documentation identified during the file reviews we conducted. The unadjusted WA DTI of the portfolio is 32%, based on reported borrowers' income and a stressed base rate of 5%.

We believe that the overall portfolio data quality is solid, despite inconsistencies in income documentation. Deloitte conducted an external audit on the loan-by-loan data templates provided by the originators, but the reported income is usually not an audited field. The auditor reviewed 18 additional loans' attributes and identified no material errors.

The structural credit enhancement (CE) totalled 20.5% at closing and is provided by the subordination of loan B principal payments and a reserve fund of EUR9.6m. Loan B interest payments rank senior to principal amortisation at closing, but would be deferred in case gross cumulative defaults on the securitised portfolio exceed 10%.

A liquidity reserve fund (LRF) of EUR10.1m covers interest shortfalls resulting from the difference between the WA margin of the loans (1.25% at closing) and that of the notes (1.50%).

The LRF also provides a variable amount of CE, subject to the amortisation profile of the class A notes. The LRF is drawn quarterly by an amount equivalent to 0.3% of the outstanding balance of the notes. Drawn amounts in excess of interest shortfalls may be used to amortise class A principal, in accordance with the waterfall.

RATING SENSITIVITIES
Fitch's base case loss rate assumption for the securitised portfolio is 5.8%, which is derived from a WA default assumption of 9.8% and WA recovery rate expectation of 41%. The assumed WA loss rate in a 'A+sf' rating scenario is 17.1%.

Unexpected performance deterioration leading to an increase of 'A+sf' expected losses above the 25% threshold, would likely trigger a downgrade of the class A notes below the 'Asf' category.

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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 S.A..

Applicable criteria "Global Structured Finance Rating Criteria", dated 20 May 2014, "EMEA RMBS Master Rating Criteria", dated 28 May 2014, "EMEA Residential Mortgage Loss Criteria", dated 28 May 2014, "Criteria Addendum: Spain - Residential Mortgage Loss and Cash Flow Assumptions", dated 5 June 2014, "EMEA RMBS Cash Flow Analysis Criteria", dated 28 May 2014, "Counterparty Criteria for Structured Finance and Covered Bonds", dated 14 May 2014, are available at www.fitchratings.com.

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Additional Disclosure
Solicitation Status