

Hipocat 11 Class A2 Spanish RMBS Rating Raised Following Review; Class B To D Notes Affirmed

July 17, 2024

Overview

- Following our review of Hipocat 11, we raised our rating on the class A2 notes.
- At the same time, we affirmed our ratings on the class B, C, and D notes.
- Hipocat 11 is a Spanish RMBS transaction that closed in March 2007 and securitizes first-ranking owner-occupied mortgage credits, mainly in Catalonia. Catalunya Banc, which was formerly named Caixa Catalunya and is now part of BBVA, originated the loans in the pool.

MADRID (S&P Global Ratings) July 17, 2024--S&P Global Ratings today raised to 'AAA (sf)' from 'AA+ (sf)' its credit rating on Hipocat 11, Fondo de Titulizacion de Activos' class A2 notes. At the same time, we affirmed our 'D (sf)' ratings on the class B, C, and D notes.

Today's rating actions reflect our full analysis of the most recent information that we have received and the transaction's current structural features.

After applying our global RMBS criteria, our weighted-average foreclosure frequency assumptions decreased because of the transaction's reduction in both the effective loan-to-value ratio and in arrears. In addition, our weighted-average loss severity assumptions have increased due to an increase in our repossession market value decline assumptions.

Table 1

Credit analysis results

Rating	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	20.67	35.52	7.34
AA	14.04	31.10	4.37
A	10.76	23.70	2.55
BBB	7.32	19.64	1.44
BB	3.85	16.74	0.64
B	3.02	14.05	0.42

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

The transaction is undercollateralized, given that the performing collateral balance is considerably lower than the asset-backed notes' outstanding amount. This means available funds

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are currently allocated exclusively to senior items, interest payments, and the class A2 notes' amortization. The reserve fund has been fully depleted since 2009.

Despite the transaction's overall negative performance, the class A2 notes' available credit enhancement has increased since our previous review and is now above 40%. We raised our rating on the class A2 notes, considering that they can pass our 'AAA' stresses.

Cumulative defaults, defined as loans in arrears for 18 months or more, represent 25.15% of the closing pool balance, which is well above the interest deferral thresholds for both the class B and C notes (13.2% and 8.9% respectively). As a result, these tranches' interest payments currently rank below the class A2 notes' amortization. As such, the class B and C notes continue to experience ongoing interest shortfalls. The class D notes, which are not asset-backed, also have outstanding interest shortfalls due to the lack of excess funds available to meet obligations ranking below the class A2 notes' amortization. As our ratings in Hipocat 11 address the timely payment of interest and ultimate principal during the transaction's life (see "S&P Global Ratings Definitions," published on June 9, 2023) we affirmed our 'D (sf)' ratings on the class B, C, and D notes.

Our operational and legal risk analyses remain unchanged since our previous review. Therefore, these criteria do not cap the ratings assigned.

We also applied our counterparty criteria as part of our analysis (see "Related Criteria"). BBVA provides the interest rate swap contract, which is in line with our previous counterparty criteria. Considering the collateral arrangement's enforceability, the maximum supported rating is 'A+'. Our rating on the class A2 notes is delinked from the swap counterparty.

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Related Criteria

- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement, April 4, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In

Structured Finance Transactions, Oct. 9, 2014

- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- Credit Conditions Europe Q3 2024: Keep Calm, Carry On, June 25, 2024
- Economic Outlook Eurozone Q3 2024: Growth Returns, Rates Fall, June 24, 2024
- EMEA Structured Finance Chart Book: June 2024, June 21, 2024
- European RMBS Index Report Q1 2024, May 16, 2024
- S&P Global Ratings Definitions, June 9, 2023
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

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