

RURAL HIPOTECARIO IX Fondo de Titulización de Activos

RMBS / Spain

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of 29 January 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The definitive ratings may differ from the provisional ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.

Estimated Closing Date

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PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes (*)	Legal Final Maturity	Coupon
A1	(P) Aaa	€200.00	13.33	Feb. 50	3mE + [·]%
A2	(P) Aaa	€1,021.70	68.11	Feb. 50	3mE + [·]%
A3	(P) Aaa	€210.00	14.00	Feb. 50	3mE + [·]%
B	(P) Aa3	€29.30	1.95	Feb. 50	3mE + [·]%
C	(P) Baa2	€28.50	1.90	Feb. 50	3mE + [·]%
D	(P) Ba3	€10.50	0.70	Feb. 50	3mE + [·]%
E	(P) Ca	€15.00	1.00	Feb. 50	3mE + [·]%
Total		€1,515.00	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date for Series A1, A2, A3, B, C and D and for ultimate payment of interest and principal at par on or before the rated final legal maturity date for Series E. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

(*) Figures for Series A1 to E calculated as a percentage of the aggregate outstanding balances of Classes A1 to D.

OPINION

Strengths of the Transaction

- No second-lien products are included.
- 100% of the loans are paid via direct debit, 99.65% of which on a monthly basis.
- At closing no loans will carry any amounts more than 30 days past due.
- Relatively good seasoning of 1.68 years.
- Basis Swap provided by Banco Cooperativo (**A2/P-1**).
- Excess spread trapping through an 18-month “artificial write-off” mechanism.

Weaknesses and Mitigants

- 13.39% of the portfolio consists of loans over 80% LTV, which leads to a higher expected default frequency and more severe losses.
- 65.29% of the pool is subject to an interest rate cap; however the risk is eliminated by the swap.
- Pro-rata amortisation of Series B, C and D leads to reduced credit enhancement for the senior series in absolute terms. This is mitigated by strict triggers which terminate the pro-rata amortisation of the notes should the performance of the transaction deteriorate.
- The deferral of interest payments on Series B, C and D benefits the repayment of the series senior to each of them, but increases the expected loss on Series B,C and D themselves.



STRUCTURE SUMMARY

Issuer:	RURAL HIPOTECARIO IX Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated/Reserve Fund
Seller/Originator:	26 Rural savings banks (unrated)
Servicer:	26 Rural savings banks (unrated)
Back-up Servicer:	N/A
Interest Payments:	Quarterly in arrears on each payment date falling on 17 February, May, August and November
Principal Payments:	Pass-through on each payment date
Credit Enhancement/Reserves:	Excess spread per annum Reserve Fund Subordination
Liquidity Facility:	N/A
Hedging:	Basis swap to cover interest rate risk
Principal Paying Agent:	Banco Cooperativo (A2/P-1)
Management Company:	Europea de Titulización S.G.F.T. S.A (EdT)
Arranger/Lead Manager:	Europea de Titulización / Banco Cooperativo

COLLATERAL SUMMARY

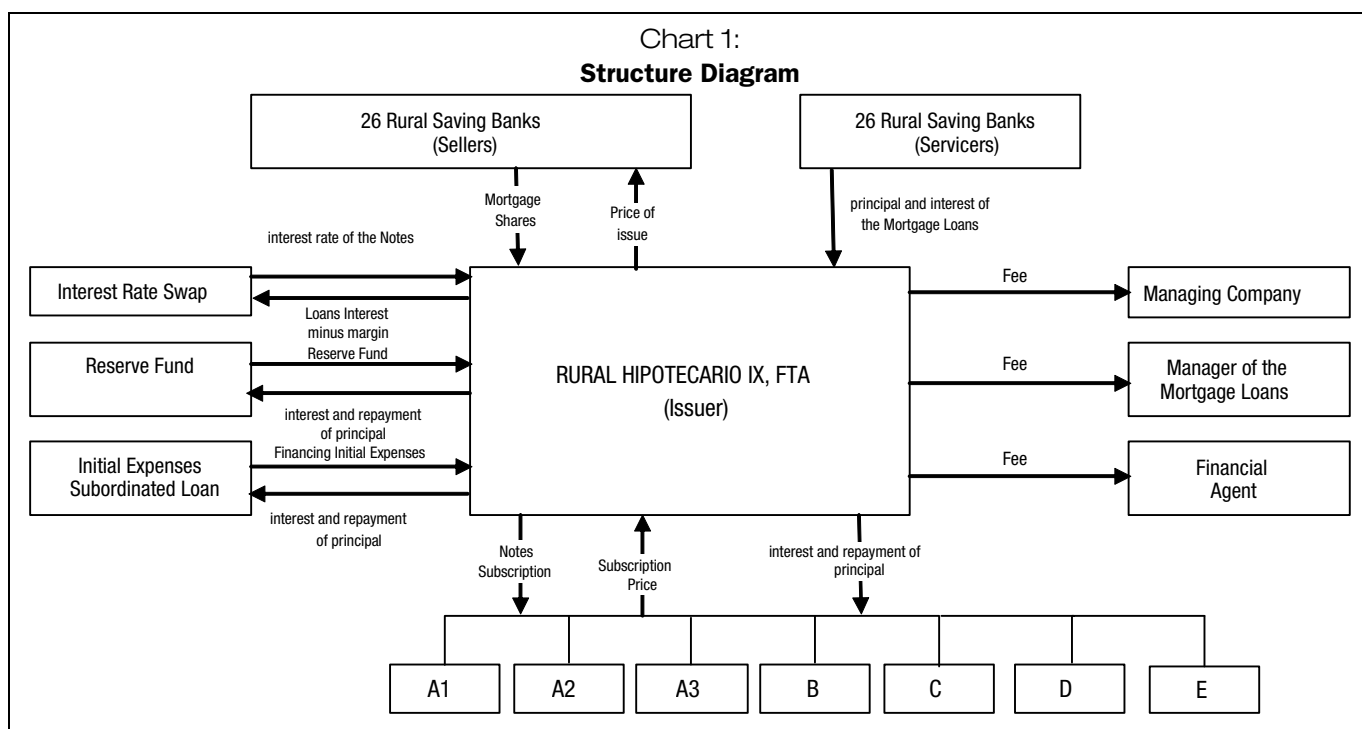
Loan Amount:	€1,870,600,416
Loans Count:	18,805
Pool Cut-off Date:	29 January 2007
WA Original LTV:	70.07%
WA Current LTV:	66.06%
WA Seasoning:	1.68 years
WA Remaining Term:	24.40 years
Interest Rate Type:	4.20%
Geographic Diversity:	Valencia 32.99%, Andalucía 21.68%
Loan Purpose:	The loans have been granted to finance the purchase, building and renovation of residential homes located in Spain. All the properties have already been constructed
Average Loan Size:	€99,474

TRANSACTION SUMMARY

No new product being securitised

This transaction consists of the securitisation of a pool of first-lien mortgages originated and serviced by 26 Spanish Rural Savings Banks. The collateral includes loans exceeding 80% LTV.

The purpose of the transaction is to obtain liquidity and remove the credit risk linked to mortgages on the originators' balance sheet. In this transaction, the originators will sell a portfolio of mortgage loans to the *Fondo*, a special purpose vehicle (SPV). The *Fondo* will in turn issue seven Series of notes to fund the purchase of the mortgage loan portfolio.



The *Fondo* will issue seven series of notes to finance the purchase of the loans (at par):

- An equity tranche (Series E) rated (P)**Ca**.
- A subordinated Series D, rated (P)**Ba3**.
- Two mezzanine Series B and C, rated (P) **Aa3** and **Baa2**, respectively.
- A senior tranche composed of three (P)**Aaa** rated series: a subordinated Series A3, a mezzanine Series A2 and a senior Series A1.

STRUCTURAL AND LEGAL ASPECTS

Borrower payments swept into Banco Cooperativo GIC account on daily basis

The proceeds from the loans are collected by the originators under a direct debit scheme and transferred to the Guaranteed Interest Contract (GIC) Account held by Banco Cooperativo (**A2/P-1**) on a daily basis.

Moody's has set up some triggers in order to protect the treasury account from a downgrade of Banco Cooperativo's short-term rating. Should Banco Cooperativo's short-term rating fall below **P-1**, it will have to perform one of the following actions, in the indicated order of priority, within 30 days:

- Find a suitably rated guarantor or substitute.
- Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes.
- Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banco Cooperativo guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes less 6 bpps.

Basis swap to hedge interest rate risk

According to the swap agreement entered into between the *Fondo* and Banco Cooperativo, on each payment date:

- The *Fondo* will pay the amount of interest accrued (excluding margins over the reference index) on the underlying mortgage loans up to 18 months past due; and
- Banco Cooperativo will pay the weighted average index reference rate on the notes over a notional calculated as the daily average outstanding amount of loans up to 18 months in arrears.

In the event of Banco Cooperativo's deposit ratings being downgraded below A2 or P-1, Banco Cooperativo will have to (1) collateralise its obligations under the swap in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute, within 30 days.

Reserve Fund to help the Fondo meet its payment obligations

The Reserve Fund, provided by the originators, will be used to cover potential shortfalls on interest or principal on an ongoing basis. It has been funded through the issuance of Series E notes.

At every point in time, the amount requested under the Reserve Fund will be the lesser of the following amounts:

- 1.00% of the initial balance of Class A and Series B, C and D.

The higher of the following amounts:

- 2.00% of the outstanding balance of Class A and Series B, C and D.
- 0.50% of the initial balance of Class A and Series B, C and D.

The amount requested under the Reserve Fund will not be reduced on any payment date on which either of the following scenarios occurs:

- The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.00%. "Written-off loans" being defined as those loans with any amount due but unpaid for more than 18 months, or earlier if the loan is in a foreclosure procedure.
- The Reserve Fund was not funded at its required level on the previous payment date.
- The weighted average margin of the pool is lower than or equal to 65 bps.

Additionally the Reserve Fund will not amortise during the first 36 months of the life of the transaction.

Series E amortisation

Series E will amortise by an amount equal to the difference between the Reserve Fund required amount in the previous payment date and the Reserve Fund required amount in the current payment date.

Class A amortisation

Until the payment date on which the initial amount of Series B, C and D exceed 3.91%, 3.80% and 1.40%, respectively, of the outstanding amount under all series, the amount retained as principal due will be used for the repayment of the following items in the indicated order of priority:

- 1) Amortisation of Series A1
- 2) Amortisation of Series A2
- 3) Amortisation of Series A3

Nevertheless, the amount retained as principal due will be allocated pro-rata between Series A1, Series A2 and Series A3, if the aggregated outstanding amount of Series A1, A2 and A3 is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).

Series B, C and D amortisation

- The Series B notes will start amortising pro rata with the Class A notes when they represent 3.91% of the outstanding balance under Class A and Series B, C and D.
- The Series C notes will start amortising pro rata with the Class A and Series B notes when they represent 3.80% of the outstanding balance under Class A and Series B, C and D.
- The Series D notes will start amortising pro rata with the Class A and Series B and C notes when they represent 1.40% of the outstanding balance under Class A and Series B, C and D.

Pro-rata amortisation entails greater risk than fully sequential transactions, given that the credit enhancement decreases in absolute terms. The risks introduced by pro-rata amortisation are mitigated by the following triggers:

Delinquency Trigger definition: non-written-off loans more than 90 days in arrears as a percentage of non-written-off loans.

Series B: delinquency trigger exceeds 1.25%.

Series C: delinquency trigger exceeds 1.00%.

Series D: delinquency trigger exceeds 0.75%.

The Reserve Fund is not funded at the required level

The loan balance is less than 10% of the initial loan balance

The Pre-enforcement Waterfall

On each quarterly payment date, the *Fondo's* available funds (principal received from the asset pool, the Reserve Fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

- 1) Costs
- 2) Servicing fees
- 3) Any amount due under the swap agreement (except termination payments if Banco Cooperativo defaults under the swap agreement)
- 4) Interest payment to Series A1, A2 and A3 notes
- 5) Interest payment to Series B notes (if not deferred)
- 6) Interest payment to Series C notes (if not deferred)
- 7) Interest payment to Series D notes (if not deferred)
- 8) Retention of an amount equal to the principal due under the notes
- 9) Interest payment to Series B notes (if deferred)
- 10) Interest payment to Series C notes (if deferred)
- 11) Interest payment to Series D notes (if deferred)
- 12) Replenishment of the Reserve Fund
- 13) Interest payments to Series E notes
- 14) Principal due under Series E notes
- 15) Termination payments under the swap agreement upon default of Banco Cooperativo
- 16) Junior expenses

Principal due to the notes incorporates an 18-month "artificial write-off"

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the notes and (2) the outstanding amount of the non-written-off loans.

Interest Deferral trigger based on default

The payment of interest on Series B, C and D notes will be brought to a more junior position if, on any payment date, the following criteria are met:

Series B:	The accumulated amount of written-off loans is higher than 8.00% of the initial amount of the assets pool Series A1, A2 and A3 are not fully redeemed
Series C:	The accumulated amount of written-off loans is higher than 5.20% of the initial amount of the assets pool Series A1, A2, A3 and B are not fully redeemed
Series D:	The accumulated amount of written-off loans is higher than 4.50% of the initial amount of the assets pool Series A1, A2, A3, B and C are not fully redeemed

COLLATERAL

As of January 2007, the portfolio comprised 18,805 loans, representing a provisional portfolio of €1,870,600,416. The loans are first-lien mortgages on residential properties contracted by individuals located in Spain. All the properties on which the mortgage security has been granted are covered by property damage and fire insurance. At closing date there are no loans more than 30 days in arrears. The average loan is €99,474.

- The purpose of the mortgage loans is the acquisition or refurbishment of residential properties.
- 100% first-lien mortgages.

- The loans have been originated between 1994 and August 2006, with a weighted average seasoning of 1.68 years and a weighted average remaining term of 24.40 years. The longest loan matures in July 2046.
- The original WALTV is 70.07%. The current weighted average LTV is 66.06%. Maximum LTV in portfolio 100%.
- 100% of the loans are linked to floating interest rate.
- 15.81% of the portfolio corresponds to second-home properties.
- 100% of the portfolio corresponds to residents in Spain
- The top 20 debtors represent 0.48% of the portfolio.
- 99.65% of the loans are paid via direct debit on a monthly basis.

Chart 2:
Portfolio Breakdown by LTV
LtMV for total portfolio

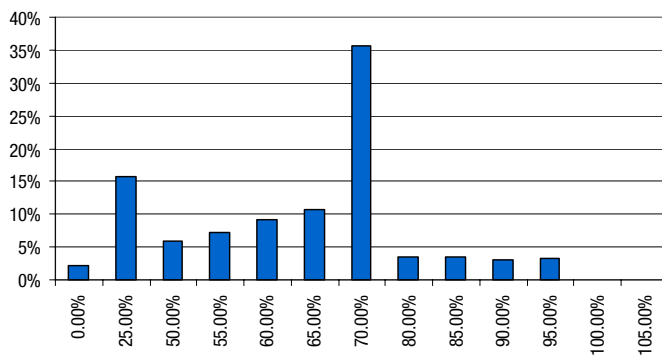


Chart 3:
Portfolio Breakdown by Region

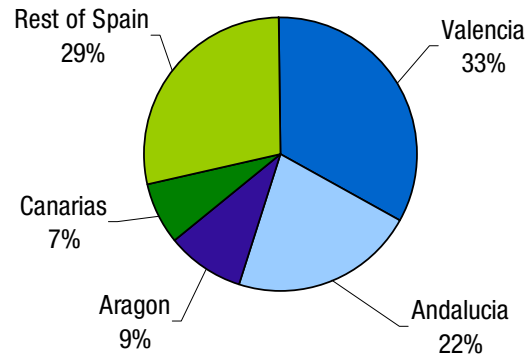


Chart 4:
Portfolio Breakdown by Occupancy Type

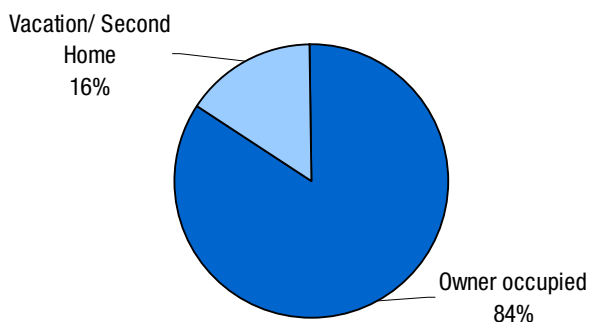


Chart 5:
Portfolio Breakdown by Employment Data

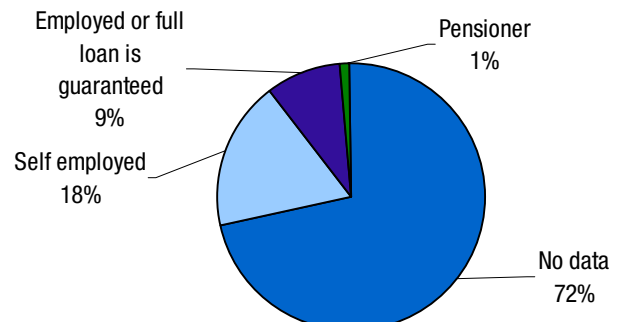
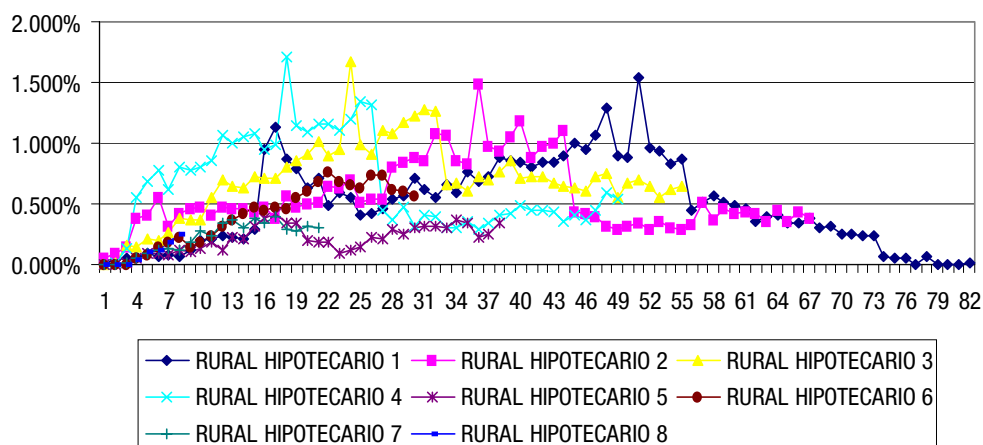


Chart 6:
Rural's Deal performance: 90+ arrears by months since closing



The reference interest rates in the pool are as follows:

Table 1:

Distribution of Interest Rate Index

Index	% Current Balance
Euribor/Mibor: 1 year	87.156%
Euribor/Mibor: 3 months	0.271%
Euribor/Mibor: 6 months	0.087%
Indice CECA	0.003%
Mercado Hipotecario Bancos	0.014%
Mercado Hipotecario Cajas Ahorro	10.169%
Mercado Hipotecario Total Entidades	2.300%

Limitations on the renegotiation of the loan

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Exceptionally, the management company authorises originators to renegotiate the interest rate or maturity of the loans without requiring its approval. They will be able to extend the maturity of up to 10% of the original pool, but not beyond 16/08/2046. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

- 1) The frequency of payments cannot be decreased.
- 2) The amortisation profile cannot be modified.

Additionally, originators are not allowed to renegotiate any interest rate of a loan if previously or after margin re-negotiation, the weighted average margin of the pool is lower than 70bps.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Originators

The loans backing the notes issuance have been granted by 26 unrated rural savings banks – that is, small credit co-operatives – whose main activities comprise lending to the agricultural sector. Originally, the group's main activity focused on covering the needs of the agricultural sector. However, the group has grown beyond its initial client base aided by the development and the expansion of the financial sector resulting from domestic economic growth and low interest rates.

Table 2:

Portfolio distribution by originators

CAJA RURAL DEL MEDITERRANEO, RURALCAJA	30.51%
CAJA RURAL DEL SUR	10.33%
CAJA RURAL DE GRANADA	9.44%
CAJA RURAL DE ARAGON	6.49%
CAJA RURAL DE NAVARRA	5.41%
CAJA RURAL DE TENERIFE	4.64%
CAIXA RURAL DE BALEARS	3.42%
MULTICAJA, CAJA RURAL ARAGONESA Y DE LOS PIRINEOS	2.99%
CAJA RURAL DE CANARIAS	2.92%
CAJA RURAL DE SORIA	2.90%
CAJA RURAL DE ASTURIAS	2.87%
CAJA CAMPO, CAJA RURAL	2.46%
CAJA RURAL CENTRAL	2.14%
CAJA RURAL DE EXTREMADURA	2.13%
CAJA RURAL DE CUENCA	2.11%
CAJA RURAL DE CORDOBA	1.89%
CAJA RURAL DE BURGOS	1.26%
CAJA RURAL DE ZAMORA	1.20%
CAJA RURAL DE TERUEL	1.06%
CAJA RURAL R. S. AGUSTÍN DE FUENTE ÁLAMO M.	0.76%
CAIXA RURAL DE CALLOSA D'EN SARRIÀ	0.74%
CAIXA RURAL GALEGA	0.60%
CREDIT VALENCIA	0.53%
CAIXA POPULAR-CAIXA RURAL	0.50%
CAJA RURAL DE GIJÓN	0.41%
CAJA RURAL DE CASINOS	0.27%

Servicers

The proceeds from the loans are collected by the originators under a direct debit scheme and transferred to the GIC Account held by Banco Cooperativo (A2/P-1) on a daily basis.

In the event of any of the servicers being declared bankrupt, failing to perform its obligations as servicer or being affected by a deterioration in its financial situation, either the relevant entity or the management company will have to designate a new suitable institution as guarantor of the distressed servicer's obligations under the servicing agreement or even as new servicer.

Moody's considers the 26 Rural savings banks to be capable of fulfilling their servicing obligations in the transaction.

Likewise, the management company may require originators, upon an insolvency process or because the management company considers it appropriate, to notify the transfer of the loans to the *Fondo* to the relevant debtors. Should the relevant originator fail to comply with this obligation within three business days, the notification would then be carried out by the management company.

Paying Agent

Banco Cooperativo, who was created with the aim of being a service provider to most of the Spanish rural savings banks, will act as paying agent of the *Fondo*. In the event of Banco Cooperativo's short-term rating falling below **P-1**, it will have to be replaced in its role of paying agent by a suitably rated institution within 30 days.

EdT

Europea de Titulización (EdT) is a company with substantial experience in the Spanish securitisation market. Its obligations within the structure are guaranteed by its shareholders, with respect to their proportion of the holding. Banco Bilbao Vizcaya Argentaria (BBVA) accounts for 83% of the capital of the *gestora* (trustee). The remainder is owned by 15 institutions, including JP Morgan (4%), Caja de Ahorros del Mediterráneo (1.54%), Bankinter (1.53%), Barclays Bank (1.53%) and Citibank España (1.53%). Currently Europea de Titulización carries out the management of 64 securitisation funds.

MOODY'S ANALYSIS

Moody's used a lognormal approach

The first step in the analysis is to determine a loss distribution for the pool of mortgages to be securitised. Due to the high volume of loans and supporting historical data, Moody's uses a continuous distribution model to approximate the loss distribution: lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility associated with this expected loss. These parameters are derived from the Moody's Individual Loan Analysis ("MILAN") model.

In order to extrapolate expected losses for the loan pool, Moody's has compared the underwriting criteria of the originators with those of other mortgage originators in Spain.

Moody's thus determines a number representing the enhancement that would be required for a pool of mortgages to obtain a 'Aaa' rating under highly stressed conditions. This credit enhancement number (the "Aaa CE" number) is obtained by means of a loan-by-loan model.

The Aaa CE number is determined by using MILAN, Moody's loan-by-loan model for rating RMBS transactions

The "MILAN" model looks at each loan in the pool individually and, based on its individual characteristics such as LTV or other identified drivers of risk, computes a benchmark CE number. This number assumes stressed recovery rates (through house price decline), interest rates and costs of foreclosure, as well as a stressed recovery time. The weighted average benchmark CE number is then adjusted according to the positive and negative characteristics of each loan and to those of the pool as a whole, in order to produce the "Aaa CE" number.

The "Aaa CE" number and the Expected Loss Number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses.

The standard deviation of the distribution is found by setting the probability of a loss greater than the expected loss that is consistent with the Idealised Expected Loss target of the "Aaa CE" number.

MARCO, Moody's cash-flow model, is used to assess the impact of the structural features of RMBS transactions

Once the loss distribution of the pool under consideration has been computed, a cash flow model, Moody's Analyser of Residential Cash-Flows ("MARCO"), is used to assess the impact of structural features of the transaction, such as the priorities of interest and principal, and the related triggers, swap features and excess margins, liquidity mechanisms and the value of excess spread.

The sum of the loss experienced per note class in each scenario, weighted by the probability of such loss scenarios, will then determine the expected loss on each tranche and hence the rating, in line with Moody's target losses for each rating category.

RATING SENSITIVITIES AND MONITORING

Europea de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk. For updated monitoring information, please contact monitor.rmbs@moody.com.

RELATED RESEARCH

Special Reports

- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Moody's Spanish RMBS Arrears Index: Delinquency Levels Remained Persistently Low in 2002 But Are Likely To Rise Given Weakening Global Economy And Factors Affecting Homeowners' Indebtedness, May 2003 (SF21607)
- Introducing Moody's Arrears Index for Spanish Mortgage-Backed Securities, March 2002 (SF12700)

Performance Review

- Spanish RMBS Q3 2006 Indices, February 2007 (SF91595)

Rating Methodologies

- Moody's Approach to Rating Spanish RMBS: The "MILAN" model, March 2005 (SF49068)

Pre-Sale Reports

- Rural Hipotecario VIII, Fondo de Titulización de Activos, May 2006 (SF75197).
- Rural Hipotecario Global I, Fondo de Titulización de Activos, November 2005 (SF64982).
- Rural Hipotecario VII, Fondo de Titulización de Activos, April 2005 (SF54619).
- Rural Hipotecario VI, Fondo de Titulización de Activos, June 2004 (SF39461).

Performance Overviews

- Rural Hipotecario VIII.
- Rural Hipotecario VII.
- Rural Hipotecario VI.

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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