

RMBS/Spain
Presale Report

Rural Hipotecario IX, Fondo
de Titulización de Activos

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	200.0	Feb 2050	AAA	5.55
A2	1,021.7	Feb 2050	AAA	5.55
A3	210.0	Feb 2050	AAA	5.55
B	29.3	Feb 2050	A+	3.60
C	28.5	Feb 2050	BBB+	1.70
D	10.5	Feb 2050	BB+	1.00
E= RF	15.0	Feb 2050	CCC	n.a.

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* Expected ratings do not reflect final ratings and are based on information provided by the issuer as of 19 March 2007. Final ratings are contingent on final documents conforming to information already received, as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

Special Reports

The following special reports provide additional detail on Fitch Ratings' approach to, and the performance of, the RMBS market; all are available at www.fitchratings.com:

- "Spanish Residential Mortgage Default Model III", dated 15 September 2005;
- "Commingle Risk in Structured Finance Transactions", dated 9 June 2004;
- "Counterparty Risk in Structure Finance Criteria: Swap Criteria", dated 13 September 2004;
- "A Guide to Cash Flow Analysis for RMBS in Europe", dated 20 December 2002;
- "Fitch Issuer Report Grades May 2006 Update", dated 5 June 2006.

■ Summary

This EUR1,500m transaction is a cash flow securitisation of a static pool of first ranking residential mortgage loans (the collateral) originated in, and secured, on properties located in Spain. Fitch Ratings has assigned expected ratings to the class A1, A2, A3, B, C and D notes (the notes) to be issued by Rural Hipotecario IX, Fondo de Titulización de Activos (Rural Hipotecario IX, FTA or the fund) as indicated at left.

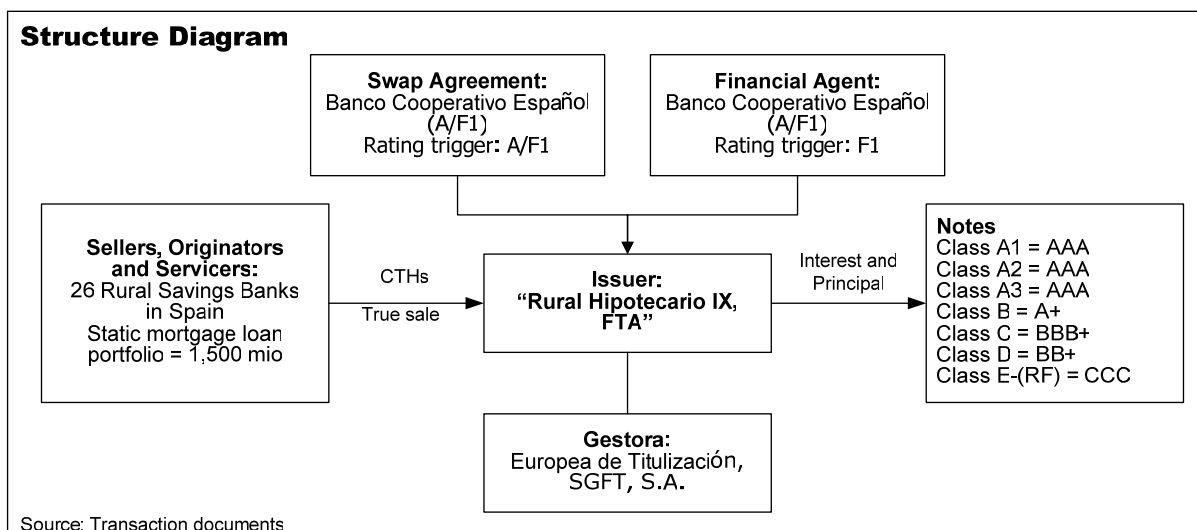
This is the ninth residential mortgage securitisation conducted by rural credit cooperatives (the cajas rurales) and the fourth rated by Fitch Ratings (see "Performance Analytics"). A new issue report on the previous transaction, entitled "Rural Hipotecario VIII, FTA", dated 2 June 2006, is available at www.fitchratings.com. For the current transaction the collateral has been originated by 26 sellers among the cajas rurales that are listed on page 11 of this report, and that will continue to service the collateral. These cajas belong to the Asociación Española de Cajas Rurales (AECR), which offers its 73 members a wide range of wholesale and retail banking services through Banco Cooperativo Español (Cooperativo, rated 'A/F1'), whose main role is that of a central treasurer and financial adviser.

The fund will be regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose is to convert the mortgage transfer certificates (Certificados de Transmisión de Hipoteca (CTH)) acquired from the sellers into RMBS. The CTHs will be subscribed on behalf of the fund by Europea de Titulización, S.A., S.G.F.T. (the sociedad gestora), whose sole function is to manage asset-backed funds.

The expected ratings of the notes are based on the quality of the collateral, the underwriting and servicing of the mortgage loans, available credit enhancement (CE), the integrity of the transaction's legal and financial structure and the sociedad gestora's administrative capabilities. The expected ratings address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger on the class B, C and D notes, as well as the repayment of principal by legal final maturity for each note. The class E notes will be issued at closing to finance the reserve fund. As they are ultimately likely to default, their ratings are supported by the expected recovery rate for noteholders.

To verify that the CE available for each class of notes is in line with its respective rating, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain (see "Spanish Residential Mortgage Default Model III", dated 15 September 2005). The agency also modelled the cash flow contribution from excess spreads using stress scenarios determined by its default model. This showed that each class of rated notes could withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss.

Structure Diagram



■ Credit Committee Highlights

- **Commingling Risk:** The transaction involves 26 sellers, three of which are rated by Fitch (Caja Rural del Mediterráneo, Caja Rural del Sur and Caja Rural de Navarra, all rated A-/F2) that account for approximately 46% of the provisional pool balance. *Mitigated by:* To reduce the commingling risk that may arise, the cajas rurales will transfer on a daily basis the amounts that they will collect from the portfolio to the treasury account held at Cooperativo in the name of the fund. Moreover, Fitch has modelled in the cash flow model a conservative five-day holding period. This may be needed to notify the mortgage debtors and provide them with the new payment instructions upon the insolvency of the sellers (see “Cash Flow Analysis”). For this purpose, a precise notification procedure and agenda have been defined within the transaction documents.
- **Debt-to-Income Information:** The sellers were only able to provide debt-to-income (DTI) information for 57% of the provisional pool balance. *Mitigated by:* Fitch has assumed a conservative class 3 DTI, which encompasses loans with DTI of between 30% and 40%, for the remaining of all the other debtors where information was not available. Moreover, the agency added 5% to the DTI provided on a loan by loan basis to account for possible divergences in DTI computations among the 26 originators, and also established a floor of class 2 DTI which encompasses loans with DTI of between 20% and 30%. Hence, the weighted average (WA) DTI for the pool to be securitised stands at 30.4%.
- **Valuation Dates:** For 6% of the collateral, mortgaged properties were reappraised after the

origination date of the loans. According to information provided, those loans might have been either subrogated or extended, which would potentially entail a higher risk profile. *Mitigated by:* Fitch has increased the default probability for those loans by 25%.

- **Employment Information:** The sellers were able to provide employment information on a loan by loan basis for only around 29% of the provisional portfolio balance. According to this, for 18% of the pool whereby information was available, loans were granted to self-employed borrowers who are more susceptible to economic cycles and business interruption in Fitch’s view. *Mitigated by:* The agency increased the default probability on those loans by 15%. Moreover, Fitch assumed (and stressed accordingly) the same percentage of self-employed for the remainder of the pool.
- **Second Homes:** The related property is a second home in 15.8% of the loans. Although information concerning mortgage performance for second homes in Spain is limited, Fitch believes that second homes and investment properties are more susceptible to default. A financially distressed borrower is more likely to default on a second home or an investment property than on a primary residence. The agency increased the base default probability for such loans by 20% to mitigate risk.
- **Regional Concentration:** Approximately 33% the pool to be securitised is concentrated in the Valencia region. *Comparison:* For Rural Hipotecario VIII, FTA approximately 35% of the pool was concentrated in Andalucía, which constitutes the highest concentration in one single region. *Mitigated by:* To account for such

Key Information

Portfolio Characteristics

Total Amount at Closing: EUR1,870m, as of 29 of January 2007 (of which EUR1,500m will be selected at closing)

WA Original LTV: 70%

WA Current LTV: 66.1%

WA Indexed Current LTV: 63.5%

WA Remaining Maturity: 24 years

WA Seasoning: 20 months

Structure

Originators, Sellers and Servicer: 26 rural credit cooperatives (see table on page 11)

Fund: Rural Hipotecario IX, Fondo de Titulización de Activos

Sociedad Gestora: Europea de Titulización, S.A., S.G.F.T.

Swap Counterparty: Banco Cooperativo Español (Cooperativo, rated A/F1)

Final Legal Maturity: February 2050

local concentration, the agency has stressed the default probability for those loans by 5%.

■ Financial Structure

The issuer will be a limited-liability SPV incorporated under the laws of Spain, whose sole purpose is to acquire credit rights from the cajas rurales as collateral for the issuance of floating-rate and quarterly-paying securities, based on three-month Euribor plus a margin.

The cajas rurales will also act as servicers of the collateral. However, for the protection of investors, if any of them is unable to continue to service the collateral, the sociedad gestora must appoint a replacement administration company in accordance with the Spanish securitisation law (RD 685/1982). In case of such event, the cajas rurales will be required to notify obligors and to provide them with new payments instructions within three days.

Cooperativo will be the paying agent servicing the notes, the swap counterparty and the treasury account provider. All principal and interest collections from the collateral will be transferred on a daily basis by the sellers into the treasury account, held in the name of the fund at Cooperativo. Amounts standing to the credit of the treasury account will receive a guaranteed interest rate equal to three-month Euribor minus six basis points (bp). This account will also be used to maintain the reserve fund (see “Reserve Fund”).

With regard to this treasury account, if Cooperativo's Short-Term Rating falls below 'F1', the sociedad gestora will have to take one of the following steps within 30 days:

1. find a third party to guarantee Cooperativo's obligations under the treasury account agreement;
2. transfer the treasury account to another entity rated at least 'F1';
3. if unable to effect either of the above, it will obtain from the sellers or from Cooperativo a guarantee of financial assets rated at least on a par basis with the Kingdom of Spain ('AAA/F1');
4. if unable to effect any of the above, it will invest the balance of the treasury account temporarily and until the next payment date in short-term, fixed-income assets issued by entities rated at least 'F1' for investments maturing within 30 calendar days and a rating of 'F1+' for longer investments.

The cash bond administration function for this transaction will be carried out by the sociedad gestora, a special-purpose company with limited liability, supervised by the Comisión Nacional del Mercado de Valores. Europea de Titulización, S.A. – S.G.F.T. was incorporated under the laws of Spain in 1993. The sociedad gestora, whose activities are limited to the management of securitisation funds (currently 65), was involved in the pre-closing phase of the deal. After closing, it will carry out cash reconciliation and waterfall calculation functions, as well as the related reporting, including the verification of applicable triggers. It will also be responsible for taking any action in the interest of the noteholders, such as the replacement of the servicers, account bank or swap counterparty.

The transaction envisages that a subordinated loan for initial expenses from Cooperativo will be granted to the fund at closing.

Rural Hipotecario VI, VII VIII and IX Comparison Table

(%)	Rural IX	Rural VIII	Rural VII	Rural VI
WA original LTV	70.1	66.3	62.2	66.5
WA current LTV	66.1	61.0	60.0	62.0
Concentration in Andalucía	21.6	35.4	28.6	30.3
Current term to maturity (years)	24.3	22.1	20.9	19.8
WA seasoning (months)	20.5	25.1	25.8	16.1

Pool information for Rural IX based on the provisional loan pool
Source: Fitch and Europea de Titulización

Priority of Payments (Waterfall)

On each payment date, commencing 17 May 2007, the combined ordinary priority of payments will be as follows:

1. expenses, taxes and senior fees;
2. net swap payment;
3. interest due on the class A1, A2 and A3 notes on a pro-rata basis;
4. interest due on the class B notes (if not deferred);
5. interest due on the class C notes (if not deferred);
6. interest due on the class D notes (if not deferred);
7. principal in order of seniority excluding the class E notes (see *Principal Redemption*);
8. interest on the class B notes if deferred, which occurs if the cumulative level of defaults exceeds 8.0% of the original balance of the collateral;
9. interest on the class C notes if deferred, which occurs if the cumulative level of defaults exceeds 5.2% of the original balance of the collateral;
10. interest on the class D notes if deferred, which occurs if the cumulative level of defaults exceeds 4.5% of the original balance of the collateral;
11. replenishment of the reserve fund (see *Reserve Fund*);
12. class E note interest and principal amounts (see *Class E Notes*); and
13. other subordinated amounts including interest and principal due on the start-up loan.

Note that the principal due amount is defined as the difference of a) the outstanding balance of the class A to D notes net of the outstanding balance of funds available for amortisation; minus, b) the current balance of non-defaulted loans. This mechanism allows the transaction to anticipate losses compensating them with excess spread.

Defaulted loans are defined as the aggregate balance of loans more than 18 months past due. The transaction also benefits from a provisioning mechanism whereby these defaulted loans will be written off using available excess spread.

Principal Redemption

The funds available for amortisation will initially be allocated to the redemption of the class A1 notes until fully amortised, and will subsequently be allocated to the class A2 notes, and then to the class A3. Once the A1, A2 and A3 notes have been fully redeemed, all amounts available will be used to redeem the class B notes. Once the class B notes are

fully amortised, the class C notes will begin to amortise. Finally, once the class C notes are fully amortised, the class D notes will begin to amortise.

Nevertheless, exceptional pro-rata amortisation for the class A notes is envisaged when the ratio of performing collateral, (plus any principal collections from the collateral since the last payment date,) and the outstanding balance of the class A notes, is equal to or lower than 1.

Class B, C and D notes will commence to amortise pro-rata respectively with the class A notes, provided that the subordination for the respective A notes represents twice its original percentage. This pro-rata logic will be applicable subject to the following:

1. the reserve fund is at its required level on the current payment date;
2. no pro-rata amortisation for the class A notes is applicable;
3. the outstanding balance of the non defaulted collateral is equal to or greater than 10% of the original balance of the notes;
4. the delinquency ratio (ie loans more than 90 days in arrears) is less than 1.25% for the class B notes, 1.00% for the class C notes and 0.75% for the class D notes.

The amortisation profile for the class E notes has been structured to mirror the amortisation profile of the reserve fund. Principal funds available for the amortisation of the class E notes will be limited to the cash released from the reserve fund. The reserve fund is subject to a floor of 0.50% of the initial class A to D notes balance (see "*Reserve Fund*").

The legal final maturity date for the notes will be February 2050, which is 36 months after the final scheduled maturity date for all loans in the collateral pool. This delay has been deemed adequate to ensure that collections from the mortgages will be sufficient to redeem the obligations of the fund in respect of any defaulted loans.

Call Option

All notes are subject to a clean-up call in favour of the sociedad gestora when less than 10% of the initial collateral balance remains outstanding. The clean-up call will only be executed if the then-outstanding balance of the class A to D notes is redeemed in full. The clean-up call does not guarantee the full or partial redemption of the class E notes.

Swap Agreement

The fund will enter into a swap agreement with Cooperativo (the swap counterparty), which will hedge the basis risks arising from the mismatch between the reference indices for the collateral and the three-month Euribor payable on the notes.

Under the swap agreement, the fund will pay the swap counterparty the indices comprised in the pool, on a notional defined as performing and delinquent loans. In return, it will receive three-month Euribor on the same notional balance.

If the swap counterparty is downgraded below 'A/F1', it will, within 30 calendar days, take one of the following steps:

- find a replacement counterparty with a Short-Term Rating of at least 'A/F1';
- find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; or
- cash or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria.

According to the documentation, if Cooperativo is downgraded below 'A/F1', and when posting of collateral is the action of choice, it will, within 15 calendar days, report to Fitch the formula to calculate the mark-to-market of the swap and therefore, the amount to be posted as collateral. If the formula was not in line with Fitch's criteria, the mark-to-market formula would have to account for an additional 100bp per year with regards to this servicing replacement cost feature.

For details on the method used to calculate the collateral amount see "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004 and available at www.fitchratings.com.

Credit Enhancement

The transaction will benefit from initial CE provided by subordination and a reserve fund. This will total 5.55% for the class A1, A2 and A3 notes, 2.60% for the class B notes and 1.70% for the class C notes. CE for the class D notes, totalling 1.00%, is provided by the reserve fund.

Reserve Fund

A reserve fund in an amount equivalent to 1.0% of the initial class A to D notes balance will be created at closing using the proceeds of the class E notes issuance and will be held in the treasury account at Cooperativo.

Three years after closing, the reserve fund will be permitted to amortise to the lesser of a) 1.0% of the

initial notes balance; or b) the greater of i) 2.0% of the then-outstanding class A to D note balance; and ii) 0.5% of the initial notes balance, subject to the following conditions:

- the balance of loans more than 90 days in arrears remains below 1.0% of the outstanding mortgage balance;
- on the previous payment date, the reserve fund was replenished to its required amount; and
- the WA spread of the collateral is above 0.65%.

■ Legal Structure

At closing, the sellers will transfer the mortgages to the fund. However, under Spanish law, mortgage loans are not actually transferred as this would entail a lengthy process of re-registering the mortgages at the property registry. Instead, mortgage originators are permitted to issue mortgage participations (PH) and mortgage certificates (CTH). Mortgages transferred in the form of PH are subject to certain restrictions with which CTH do not have to comply. In particular, PH must be first-ranking mortgages with a current loan to value (CLTV) below 80%, and the properties underlying the mortgage must be properly insured. In this transaction, the entire portfolio will be transferred to the fund through the issuance of CTH.

Representations and Warranties

The seller will provide representations and warranties in relation to the collateral, including:

- each mortgage loan is registered in the relevant property registry and represents a first-ranking claim on the corresponding property;
- all properties are located in Spain and have undergone a valuation process, as required by law;
- each mortgage loan finances the purchase, refurbishment or construction of a residential property (however, for those loans granted for construction, the property must be fully built);
- all loans have been fully disbursed and granted to individuals;
- all loans are euro denominated and instalments are via direct debit;
- if the loans are financing the acquisition of "viviendas de protección oficial" (VPO) (subsidised properties), these have been valued at their maximum legal value;
- each property under the underlying mortgage loan is insured as required by law. The sellers have further contracted a global insurance policy that covers any insufficiency or lack of insurance;

- there are no loans with current LTV higher than 100%;
- the seller has full right and title to, and the power to sell and transfer, the mortgages;
- at closing, all selected loans have paid at least two instalments;
- the seller is unaware that any of the underlying properties have been subject to a reduction in value of more than 20% since acquisition;
- none of the mortgage loans will be more than 30 days delinquent at closing.

Portfolio Summary

Pool characteristics

Current principal balance (EURm)	1,870,600.00
Average current loan per borrower (EUR)	99,474.00
Average original loan per borrower (EUR)	107,676.00
Oldest loan in portfolio	August 1993
Most recent loan in portfolio	August 2006
Floating-rate loans (%)	100.00
WA interest rate (%) (1)	4.20
Interest index	12-month Euribor and IRPHs
Payment method	Direct debit
Loans <30 days in arrears (%)	3.19
Region concentration (%)	
Valencia	33.00
First-ranking mortgages (%)	100.00
WAOLTV (%)	70
WACLTV (%)	66.10
CLTV>80%	13.40
WA seasoning (months)	20.00

Source: Fitch

Neither the fund nor any other transaction parties will conduct a search of title; instead, they will rely on the abovementioned representations and warranties provided by the sellers in relation to the collateral, and on the external audit on a sample of the collateral. Following an irremediable breach of any of the representations or warranties, the sellers will replace or repurchase the loan(s) in question.

■ Set-Off Risk

In the event of a seller's default, the fund could be affected by the set-off rights of borrowers with deposits in an account held with the corresponding seller. According to Spanish law, the set-off risk should cease to be valid following the notification of assignment of the receivable to the other party (ie borrowers), or the bankruptcy of one of the parties. The documents include a provision to inform debtors within three days in cases where one of the sellers is replaced as servicer of the collateral.

In addition, in the event of any set-off amounts being crystallised while one of the sellers is not in insolvency state is fully mitigated as the servicer commits in the documentation to pay such amounts plus accrued interest to the issuer.

■ Provisional Collateral

At closing, the sociedad gestora will select randomly the loans to be securitised from the current provisional pool. The final portfolio will have an outstanding balance of EUR1,500m, selected from a provisional portfolio of 18,805 mortgage loans. Furthermore, all the loans are first-ranking mortgages secured by residential properties in Spain. Security for the loans takes the form of mortgages registered in the "Registro de la Propiedad" (the official register).

As of 29 January 2007, the provisional portfolio's main characteristics, in volume terms, included:

- the weighted average original loan to value (WAOLTV) and weighted average current loan to value (WACLTV) ratios of 70.1% and 66.1% respectively. The WA indexed current LTV was 63.5%;
- around 13.4% of the loans had CLTVs greater than 80%;
- the WA seasoning of 20 months.

At closing, none of the mortgage loans will be more than 30 days in arrears.

■ Origination and Servicing

In addition to the pool analysis, Fitch has reviewed and analysed the sellers' origination and servicing guidelines. In March 2007, Fitch made an on-site visit to Caja Rural del Mediterráneo (RuralCaja, rated A-/F2) - the largest contributor of collateral to the transaction, representing approximately 30% of the provisional collateral balance - to review and analyse its origination and servicing guidelines. Within the scope of previous transactions, Fitch also made on-site visits and documented the origination and servicing strategies of Caja Rural del Sur, Caja Rural de Granada, Caja Rural de Navarra, Caja Rural del Mediterráneo, RuralCaja (please see Fitch's "Rural Hipotecario VIII, FTA" new issue report, dated 2 June 2006, "Rural Hipotecario VII, FTA" new issue report, dated 6 July 2005 and its "Rural Hipotecario VI" new issue report, dated 8 July 2004, all of which are available at www.fitchratings.com).

Since the mortgage loans were originated by different sellers, the origination policies vary in certain respects. However, the Spanish cajas rurales are increasingly working together as a group through their association to realise economies of scale – particularly for matters relating to treasury activities, risk management systems and access to wholesale markets.

Banco Cooperativo, the financial arm of the cajas rurales, is 85% owned by them, while the remainder

is held by Deutsche Zentral Genossenschaftsbank ('A/F1'), a founding member. The sellers in this transaction benefit from the integration and development tools provided by Cooperativo. The bank coordinates financial policy, acts as agent and develops a variety of financial services, as well as managing clearing and payment systems and providing international banking services. Cooperativo further promotes the homogenisation of commercial and pricing policies and product standardisation, seeking to improve cost efficiency and centralisation of risk control throughout the group.

Background

RuralCaja was created in 1946 as a rural credit cooperative to service the needs of its members and clients. RuralCaja is now a universal bank with a focus on retail and banking and especially residential mortgages. It is regionally centred in the Comunidad Valenciana. As of September 2006, RuralCaja had a market share on this region of around 4.4%.

RuralCaja is a founding member of the Asociación Española de Cajas Rurales (AECR) and as of December 2005, was the second-largest among the cajas rurales by total assets.

Origination and Underwriting

Most of RuralCaja's mortgage lending is originated through its 448 branch network, mainly located in the provinces of Castellón, Valencia and Alicante and with a limited presence in surrounding provinces. Origination through real estate developers and real estate agents (APIs) is quite limited under RuralCaja mortgage book.

Regardless the origination channel, RuralCajas's underwriting process combines a non-bidding scoring tool, a digitalised application file and a hierarchical system of authorisation levels. After considering all this information and the mortgage amount, the loan might be escalated to a higher decision level in order to be subscribed.

Application data includes: borrower data; credit checks with external systems such as CIRBE, RAI or ASNEF; property valuation by homologated agencies; and DTI which is computed factoring all debt instalments over net income. Note that RuralCaja's underwriting guidelines include limits such as maturities up to 30 years, LTV up to 80% and DTI up to 33%. Mortgage insurance schemes and further guarantees, such as co-obligors or additional properties backing the loan, might also be required on a loan-by-loan basis (ie for LTV greater than 80%).

Arrears Management

RuralCaja's credit portfolio is monitored by a system of automatic checks that alerts of a potential or existing credit risk.

Arrears management is handled by a 16 people specialised department within RuralCaja. For early arrears management, calls are made and letters are sent to debtors and co-obligors. Note that in parallel to the actions adopted by the above mentioned department, the branches might also adopt complementary measures in order to clear the arrears.

For loans in arrears greater than 60 days, "contencioso" (legal proceedings) are begun. The legal recovery process is supported by a team of external lawyers and includes foreclosure, repossession and sale. Nevertheless, if repossession is not enough to cover the mortgage debt, a team of three people will continue monitoring the risk to its total recovery. RuralCaja estimates that overall legal recovery proceedings generally take around six to eight months.

■ Credit Analysis

Fitch analysed the collateral by subjecting the mortgage loans to stresses resulting from its assessment of historical house price movements and defaults in Spain. The agency's analysis is based on the probability of default and expected recoveries for the portfolio's individual loans (see "Appendix I").

The following section details the agency's particular areas of focus and concern regarding Rural Hipotecario IX, FTA, as well as the factors it has incorporated into its analysis to deal with these concerns.

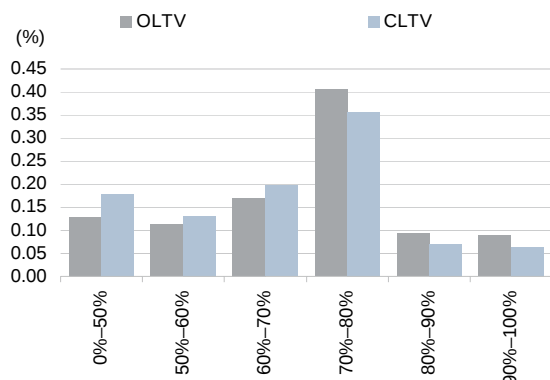
Default Probability

Generally, the two key determinants of default probability (DP) are the borrowers' willingness and ability to make their mortgage payments. The willingness of a borrower to pay is usually measured by LTV. Fitch assumed higher DPs for high-LTV loans and lower DPs for low-LTV loans. The main reason for this is that, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low LTV loans) have an incentive to sell and maintain/protect their equity, thereby eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the mortgage payment in relation to the borrower's net income. The sellers were only able to provide debt-to-income (DTI) information for 57% of the provisional pool balance. Consequently, Fitch made conservative assumptions with regards to this and

accordingly the WA DTI for the pool to be securitised stands at 30.4% (see “*Credit Committee Highlights*”).

Rural Hipotecario IX, FTA: Loan to Value Distribution



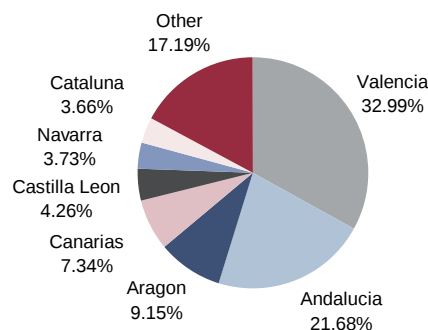
Once the base case default probabilities had been calculated using these LTVs and DTIs as parameters, Fitch adjusted them on a loan-by-loan basis to account for the following individual loan and borrowers characteristics in the portfolio (also see “*Credit Committee Highlights*”):

- An underwriting hit of 5% has been applied to the default probability of the loans included in the pool to account for the differences in terms of underwriting among the 26 originators.
- The geographical diversification of the pool is consistent with the sellers’ respective local regions where they have usually carved a small but respectable niche. As a result, the pool has some geographical concentration by value in Valencia (33%). To account for such concentration risk, Fitch has increased the default probability of these loans by 15%.
- The default probabilities for loans to self-employed borrowers have been increased by 15% on 30% of the loans in the portfolio.
- The default probabilities for loans where the property was appraised after the origination date have been increased by 25% on 6% of the loans in the portfolio.
- The default probabilities for loans granted for the purchase of second homes, which account for 15.8% of the outstanding balance, have been adjusted upwards by 20%.
- The default probabilities for loans currently 1-30 days in arrears (3.2% of the collateral balance)

has been increased by 25%. Loans more than 30 days in arrears were not hit since they will not be included in the final pool.

- The default probabilities for loans under a grace period (0.62% of the collateral balance) have been adjusted upwards by 5%.

Rural Hipotecario IX, FTA: Geographical Distribution



Recovery Proceeds

To estimate recoveries on mortgage loans in Spain, Fitch examined house price movements on a regional basis from 1987 to 2005. The agency found significant differences, most notably between Madrid, Catalonia and the Basque Country, and the other regions of Spain. Cities in these three regions have experienced higher price increases than regions elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed slightly higher market value declines (MVDs) for certain regions, as well as for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with those of markets in other European countries. As with its other European mortgage default models, the agency has increased MVDs for higher-value properties. These are generally subject to higher declines in a deteriorating market than houses with average or below-average market values, owing to limited demand for them.

When calculating recovery value, the agency’s model reduces each property’s worth by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through to default. This cost depends on the time to foreclosure as well as the applied interest rate, which Fitch assumes to be 10%. Fitch assumes a time to foreclosure of 36 months.

Fitch Default Model Outputs

Rating level (%)	AAA	A+	BBB+	BB+
WAFF	11.3	7.5	5.3	3
WARR	96.4	79.3	84.1	88.3

Source: Fitch

Cash Flow Analysis

To evaluate the contribution of structural elements such as excess spread, the reserve fund and other factors, Fitch modelled the cash flows from the mortgages based on the WA recovery rate (WARR) and WA frequency of foreclosure (WAFF) provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

The cash flow model assumes that defaults are spread over the first five years of origination, starting straight after closing. The analysis calculated the cost of carrying defaulted loans as being the difference between the performing balance of the collateral and the notional note balance until all the recovery proceeds are collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying costs until all recoveries are received after 36 months.

CE analysis accounted for the interest deferral mechanism in place on the class B, C and D notes; this will redirect funds away from junior notes and towards the more senior ones. Should the triggers be hit, interest on the class B, C and D notes may be deferred for a period during which they might not receive interest, which will, in any case be ultimately paid prior to the legal maturity date.

Interest rates are stressed upwards over time, although the effect of this factor is limited because the swap covers the basis and reset risks, with the interest on the notes based on three-month Euribor.

Fitch ran various stress tests on the key variables affecting the cash flows generated by each mortgage portfolio, including prepayment speed, interest rates, default and recovery rates, the timing of recession, WA margin compression and delinquencies. The agency also modelled prepayments, which can affect certain components of a transaction (primarily, they lower the absolute amount of excess spread, which is vital to the total CE in this structure). However, since the principal repayment is directed towards the senior series, these notes benefit from higher CE as a result of the increase in subordination. Prepayments may also cause adverse selection as the strongest obligors are likely to be most inclined to prepay, which would leave the pool dominated by weaker obligors as the collateral ages. The high level of prepayments peaks at 25%, 20% and 18% under 'AAA', 'A' and 'BBB' scenarios respectively. The

low level of prepayments is modelled at 5% per year in all rating scenarios.

The agency accommodated in the cash flow model the potential margin compression risk of the collateral, as the pool consists of variable rate amortising loans, and the hedge agreement does not guarantee a minimum level of spread. For each rating scenario, Fitch has assumed that 60% of the prepayments refer to loans with spreads on the higher range of the distribution.

Fitch's cash flow analysis also took into account the commingling risk associated with the transaction, considering that the sellers will transfer to the treasury account on a daily basis the amounts they collect from the portfolio. The agency also considered the conservative five-day holding period, which may be required to notify the mortgage debtors and provide them with new payment instructions upon the insolvency of the sellers.

Finally, the analysis showed that the CE levels provided for each of the tranches would be sufficient to withstand the default hurdles and losses determined by the agency for the individual ratings.

■ Class E Notes

The performance of the class E notes requires very favourable conditions for the collateral backing the class A to D notes. Fitch calculated an expected recovery rate after testing several cash flow scenarios commensurate with speculative grade rating levels. The sensitivity analysis performed consisted of testing several variables that affect the release of the reserve fund and consequently, the availability of interest and principal payments on the class E notes. Fitch ran multiple stress scenario assumptions, including:

- alternative timing of default assumptions: back-loaded, front-loaded as well as evenly spread defaults;
- alternative interest rates: increasing, low and constant interest rate scenarios;
- prepayments speeds: high, low and average historical prepayments rates;
- different WA margin compression rates on the mortgage loans: the agency modelled high and low margin compression and exercise of the clean up call by the originator.

The 'CCC' expected rating assigned to the class E notes is supported by the expected recovery rates. As default on the class E notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the class E notes' expected interest and

principal payouts. Based on Fitch's calculation, the expected recovery rate was 50%-100% of the initial note balance.

■ Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance surveillance team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at www.fitchresearch.com.

Please call the Fitch analyst listed in the first page of this report with any queries regarding the initial analysis or the ongoing performance.

Issuer Report Grade

Fitch has recently introduced Issuer Report Scores as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). For further information on the agency's Issuer Report Scores, please see "*Fitch Issuer Report Grades May 2006 Update*", dated 5 June 2006.

■ Appendix 1

Sellers Involved in the Transaction

	% of Portfolio balance	Rating
Caja Rural Del Mediterraneo, Ruralcaja, S.C.C.	30.5	A-/F2
Caja Rural Del Sur, Sociedad Cooperativa De Crédito	10.3	A-/F2
Caja Rural De Granada, S.C.C.	9.4	NR
Caja Rural De Aragon, S.C.C.	6.5	NR
Caja Rural De Navarra, S.C.C.	5.4	A-/F2
Caja Rural De Tenerife, S.C.C.	4.6	NR
Caixa Rural De Balears, S.C.C.	3.4	NR
Multicaja, Caja Rural Aragonesa Y De Los Pirineos, S.C.C.	3.0	NR
Caja Rural De Canarias, S.C.C.	2.9	NR
Caja Rural De Soria, S.C.C.	2.9	NR
Caja Rural De Asturias, S.C.C.	2.8	NR
Caja Campo, Caja Rural, S.C.C.	2.5	NR
Caja Rural Central, S.C.C.	2.1	NR
Caja Rural De Extremadura, S.C.C.	2.1	NR
Caja Rural De Cuenca, S.C.C.	2.1	NR
Caja Rural De Cordoba, S.C.C.	1.9	NR
Caja Rural De Burgos, S.C.C.	1.3	NR
Caja Rural De Zamora, C.C.	1.2	NR
Caja Rural De Teruel, S.C.C.	1.1	NR
Caja Rural R. S. Agustín De Fuente Álamo M., S.C.C.	0.8	NR
Caixa Rural De Callosa D'En Sarriá, C.C.V.	0.7	NR
Caixa Rural Galega, S.C.C.L.G.	0.6	NR
Credit Valencia, C.R.C.C.V.	0.5	NR
Caixa Popular-Caixa Rural, S.C.C.V.	0.5	NR
Caja Rural De Gijón, C.C.	0.4	NR
Caja Rural De Casinos, S..C.C.V.	0.3	NR

NR: Non rated

Source: Fitch

■ Appendix I

Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Spanish residential transactions using a loan-by-loan mortgage default model. The model subjects the mortgage loans to stresses resulting from its assessments of historical house price movements and defaults. Fitch's study showed that the LTV, reflecting the size of the borrower's down payment, and the borrower's debt-to-income ratio (total monthly debt payments over monthly net income) are the primary indicators of default risk in Spain. Fitch also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario, without incurring any principal loss or interest shortfall.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high LTV loans and lower default probabilities for low LTV loans. This is because, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available for Spain shows low levels of default. Base default probabilities are determined using a matrix which considers each loan's affordability factor and LTV. The matrix classifies affordability into five classes: the lowest (class 1) encompasses loans with DTIs of less than 20%, while the highest (class 5) encompasses all loans with DTIs exceeding 50%. The average DTI for the mortgage market in Spain is between 27%–33%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels. In the absence of case-by-case specific mitigants, Fitch conducts the following adjustments:

- **Product type:** Fitch may increase default probability assumptions by 0%–20% for loans that have riskier profile (ie flexible products) vis-à-vis standard variable rate amortising loans.
- **Repayment type:** Mortgage payments by Spanish borrowers are generally made monthly by direct debit. Fitch will increase base default rates by 5% for quarterly payments and 10% for biannual or annual payment frequencies. Interest-only mortgages may be included in Spanish transactions at some point in the future. Fitch increases the default assumptions for these loans by up to 25% to take into account the balloon risk to the borrower and the strong reliance on the borrower's equity in the property.
- **Loan purpose:** Fitch believes that a financially distressed borrower is more likely to default on a second home or investment property than on a primary residence. Accordingly, Fitch will increase the default probability by 15% to 50%. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 50%–100%.
- **Borrower profile:** Fitch increases the default probability on loans to self-employed borrowers by 20%-50% to account for their lack of a fixed annual salary and for non-Spanish residents, as presumably such borrowers may have less incentive to repay a mortgage loan in periods of stress.
- **Arrears status:** When rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by 1–30, 31–60, and 61–90 days by 25%, 50% and 70% respectively. Fitch assumes that mortgages over 91 days in arrears (non-performing status) will have a 100% probability of default.
- **Underwriting Quality:** Fitch's review and analysis of the origination process determines whether the agency decreases default rates by up to 25% or increases them by 0%-200%.

The adjusted default probability is scaled across rating scenarios via scenario multipliers. Standard multipliers common to all European jurisdictions and independent of the type of collateral have generally been applied in the past. However, in some cases – eg, with concentrations in higher risk segments such as high LTV - multipliers warrant adjustment according to the nature of the underlying collateral. Multipliers may be adjusted according to outcomes from benchmarking exercises using portfolio model approaches, taking into account default correlations among borrowers.

Recoveries

To estimate the recovery rates on mortgage loans in Spain, Fitch examined house price movements in Spain on a regional basis from 1987-2005. Fitch found significant differences in price development among the regions, mainly between Madrid, Catalonia and the Basque region, and the rest of the country. The cities in these regions have experienced higher price increases than cities in other regions in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch assumed slightly higher MVDs for certain regions and for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with markets in other European countries. As with its other European mortgage default models, Fitch has increased MVDs for higher value properties. These properties are generally subject to larger MVDs in a deteriorating market than homes with average or below-average market values, due to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through default. For Spain, Fitch assumes that external foreclosure costs represent 10% of the loan's balance at the time of default. Loss severity also incorporates the fact that the length of the foreclosure process might be longer than the actual one in a recession period. To calculate carrying costs, Fitch uses a worst-case scenario analysis, one that assumes the borrower does not pay any interest and the collateral is not realised for a period of three years.

Excess Spread

Excess spread represents the monetary difference between the income received by the issuer from the borrowers and the interest on the notes and other expenses paid by the issuer. Any reserve fund will be replenished from available excess spread, if it is drawn. The actual value of excess spread depends on levels of delinquencies, defaults and prepayments, as well as the WA interest rate of the reference mortgage portfolio throughout the life of a transaction.

■ Appendix II

Summary

Rural Hipotecario IX, Fondo de Titulización de Activos

RMBS/Spain

Capital Structure

Class	Rating	Size ^a (%)	Size (EURm)	CE (%)	I/P PMT freq	Legal maturity	Coupon
A1	AAA	13.33	200.0	5.55	Quarterly	Feb 2050	3M Euribor plus a spread
A2	AAA	68.11	1,021.7	5.55	Quarterly	Feb 2050	3M Euribor plus a spread
A3	AAA	14.00	210.0	5.55	Quarterly	Feb 2050	3M Euribor plus a spread
B	A+	1.95	29.3	3.60	Quarterly	Feb 2050	3M Euribor plus a spread
C	BBB+	1.90	28.5	1.70	Quarterly	Feb 2050	3M Euribor plus a spread
D	BB+	0.70	10.5	1.00	Quarterly	Feb 2050	3M Euribor plus a spread
E= RF	CCC	1.00	15.0	n.a.	Quarterly	Feb 2050	3M Euribor plus a spread

^a These percentages are expressed as a proportion of the initial collateral balance

Source: Fitch

Key Information

Closing date	30 March 2007 (expected)	Role	Party
Country of assets	Spain	Seller/originator	26 seller, see p.11
Structure	Pass-through	Issuer	Rural Hipotecario IX, FTA
Type of assets	Residential mortgages	Trustee	Europea de Titulización, S.A. S.G.F.T.
Currency of assets	EUR	Swap provider	Banco Cooperativo Español (F1)
Currency of notes	EUR	Financial agent	Banco Cooperativo Español (F1)
Primary analyst	marta.aisa@fitchratings.com		
Secondary analyst	natalia.bourin@fitchratings.com		
Performance analyst	charlotte.eady@fitchratings.com		

Source: Fitch

Fitch Default Model Outputs

Rating level (%)	AAA	A+	BBB+	BB+
WAFF	11.3	7.5	5.3	3
WARR	96.4	79.3	84.1	88.3

Source: Fitch

Collateral as of 29 January 2007

Pool characteristics (percentages are expressed in volume terms)

Current principal balance (EURm)	1,870,600	Regional concentration (%)	
Average current loan per borrower (EUR)	99,474	Valencia	32.90
Average original loan per borrower (EUR)	107,676	Andalucia	21.68
Number of loans	18,805	Mortgage characteristics (%)	
WA seasoning (months)	20	First-ranking	100.00
Oldest loan in portfolio	August 1993	Loan to value (LTV) (%)	
Most recent loan in portfolio	August 2006	WAOLTV	70
Interest rate type (%)		WA indexed CLTV	63.50
Variable	100	WACLTV	66.10
Fixed	0	OLTV > 80%	18.40
WA interest	4.20	CLTV > 80%	13.40
Interest index	12-month Euribor IRPHs		

Source: Fitch

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