



Tagging Info

Correct: Fitch Assigns Rural Hipotecario XVI F.T.A. Final Ratings

Policy

16 Sep 2013 12:25 PM (EDT)

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 XVI F.T.A.'s mortgage-backed floating-rate notes due April 2055 final ratings, as follows:

EUR133,500,000 class A notes 'Asf'; Outlook Negative

EUR16,500,000 class B notes: 'CCCsf'; Recovery Estimate of 90%

The transaction is a multi-originator securitisation of a EUR150m static pool of Spanish residential mortgage loans, originated and serviced by Caja Rural de Soria, Caja Rural de Teruel, and Caja Rural de Zamora (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 April 2055.

KEY RATING DRIVERS

In deriving the lifetime default rate of the securitised portfolio under a base case scenario, Fitch has adjusted upwards the observed default rates by a factor of 1.1x. This upward adjustment captures our opinion that the historical default rates do not entirely reflect the risk attributes of the securitised pool, which is linked to younger vintages (2009 to 2012). Fitch received historical cumulative arrears data covering 2004 to 2012 from the originators based on their past RMBS securitisation transactions.

Fitch believes the securitised portfolio has prime characteristics with 100% first-lien positions, all residential mortgage loans with a moderate weighted average (WA) OLTV of 72.6%, and an indexed (WA) CLTV of 77.5% estimated by the agency taking into consideration the almost 4.5 years of seasoning. Fitch believes a key risk attribute of the portfolio is its high geographical concentration in the two regions of Castilla Leon (55.9%) and Aragon (33.5%), and has consequently incorporated into its analysis a probability of default hit of 1.15x for these loans.

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 within the cash flow analysis, as the structure is unhedged. The notes are referenced to EURIBOR with quarterly resets, while most loans are referenced to 12-month EURIBOR with annual, bi-annual and quarterly resets.

RATING SENSITIVITIES

Fitch believes the key risks that could introduce volatility to the ratings are home price declines beyond Fitch's expectations, as these could limit recoveries, and a material change in the current legal framework, weakening the full recourse nature of the Spanish mortgage market, as this scenario could change borrower payment behaviour. The Negative Outlook on the class A notes reflects the uncertainty associated with changes to the mortgage enforcement framework.

Fitch's expectation under a 'Bsf' stress scenario is linked to a weighted average (WA) lifetime loss rate of 4.7%, which results from a WA foreclosure frequency assumption of 8.0% and a WA recovery rate expectation of 41.4%. The assumed WA loss rate in a 'A' rating scenario is 12.6%.

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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, "EMEA Criteria Addendum - Spain", dated 20 March 2013, "Counterparty Criteria for Structured Finance and Covered Bonds", dated 13 May 2013, are available at 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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