

Bancaja 1 Fondo de Titulización Hipotecaria Bonos de Titulización Hipotecaria

Spain

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TRANSACTION IN BRIEF

	<u>Senior Series A</u>	<u>Mezzanine Series B</u>
Rating:	Aaa	A2
Amount:	Ptas 19,250,000,000	Ptas 750,000,000
Coupon:	3 mth pta LIBOR + 16bp	3 mth pta LIBOR + 45bp
Payment Dates:	15th March, June, September and December.	
Final Maturity:	March 15th, 2017	
Issuer:	Bancaja1 Fondo de Titulización Hipotecaria	
Originator/		
Administrator:	Bancaja (Caja de Ahorros de Valencia, Castellón y Alicante)	
Management Co:	Europea de Titulización S.A.(Gestora)	
Swap A & B Provider:	Bancaja (A1)	
Series A Swap		
Guarantee Provider:	Morgan Guaranty Trust Company (Aa1)	
Depository/		
Paying Agent:	Bancaja (A1)	
GIC provider:	Bancaja (A1)	
Lead Manager:	JP Morgan S.V.B.	

COLLATERAL CHARACTERISTICS

Type:	Mortgage participations (Participaciones Hipotecarias: PHs)
Coupon:	100% of underlying mortgage rate
Count:	4,107
Total Amount	
(approx.):	Ptas 20 billion

PROVISIONAL POOL OF UNDERLYING MORTGAGE LOANS

Type:	Primary residential mortgage loans	
WALTV:	59,99%	Max: 80%
Average Loans:	Ptas 5,364,795	Max: 23,267,651 Min: 2,000,567
WAC (current):	8,49%	Min: 5,85% Max: 12,25%
Interest Basis:	Variable rates	
Indices:	Various (62.7% MIBOR and 37.3% CECA).	
Orig Loan Purpose:	Purchase (including subrogation of developer loans).	
Geog. Concentrations:	Valencia 76.3%, Castellón 12.9%, Alicante 10.3%, Other .5%	
Structure:	Senior / Mezzanine / Reserve Fund	
Credit Enhancement:	Reserve Fund A (Ptas 340,000,000), Reserve Fund B (Ptas 70,000,000) and Excess Spread.	
Expected Issue Date:	July 24th 1997	



Moody's Investors Service
Global Credit Research

August 1997

RATING OPINION

Moody's has assigned a rating of **Aaa** to the Series A Notes and a rating of **A2** to the Series B Notes. (1) The **Aaa** rating of Series A Notes is based on: the legal characteristics of the mortgage participations (participaciones hipotecarias-PHs) and a loan by loan analysis of the quality of the mortgage loans underlying them; (2) the credit enhancement provided by the various reserve funds in the structure, (3) the strength of the cash flows, including excess spread available for losses; (4) the contractual obligations of parties in the transaction, particularly the swaps between Europea de Titulización on behalf of the issuer and Bancaja (**A1**). The Class A swap is guaranteed by Morgan Guaranty Trust Company (**Aa1**) and ensures the punctual payment by Bancaja of all the present and future obligations arising under the Class A swap agreement; (6) The experience of the Europea de Titulización as a Gestora.

The ratings of the Class B Notes are based on the above factors and on an assessment of the extent of their subordinate position within the structure.

Moody's evaluation included the legal and regulatory context of the primary and secondary mortgage market and of structured transactions in Spain.

The ratings of each of the Notes address the timely payment of interest, and ultimate payment of principal.

STRUCTURE

The Bonos de Titulización Hipotecaria (BTHs) are issued by a mortgage securitisation fund (fondo de titulización hipotecaria) which was created and is managed by Europea de Titulización S.A, the management company or "Gestora". The BTH's are secured by PHs.

Under Spanish law each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the originator and, under certain circumstances, the right to pursue the mortgage debtor. As the Fondo does not possess legal personality any such action must be taken on its behalf by the Gestora. In this transaction the PH's entitle the fondo 100% of the principal and 100% interest of the underlying mortgage loan. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax.

All of the mortgage loan securing the PH's were originated by Bancaja (**A1**), which will continue to service the loans and will substitute or repurchase any PH that is found to be backed by a loan that fails to meet various criteria.

COLLATERAL/CREDIT ENHANCEMENT

Moody's believes that the provisional pool of mortgage loans underlying the PHs has several strong characteristics. The mortgages consist of first charges on residential properties that are all believed to be owner occupied. The average current loan to original valuation ratio is approximately 59%. The pool benefits from average seasoning of approximately 2 years while the short average life remaining on the mortgages loans allows equity to build up in the property relatively quickly. Moody's noted that the level of arrears since 1993 has been low and that no loans selected for inclusion in the transaction may not be delinquent at the time of the transfer of the PHs to the fund.

Moody's compared the expected performance of the mortgage pool in a variety of severe economic scenarios to determine the necessary credit protections to cover losses and arrears at a level consistent with the ratings assigned to the Series B Bonos. This analysis is benefited from the comprehensive data available to the issuer regarding the historic performance of the loans.

The first layer of protection is spread in the transaction, which is the difference between the note rate paid to the bondholders (Peseta LIBOR plus 16 bp on the Series A Bonos, and Peseta LIBOR plus 45 bp on the Series B Bonos) and the payment received from the swap counterparty. Bancaja, as provider of the swaps, receives the rate on the PHs less 75 bp and pays the Fondo the note rate on the balance of the Class A and Class B Bonds. The value of this ongoing spread was assessed under a variety of adverse conditions which would min-

imise its availability, including high prepayment speeds, various loss distributions, and high arrears levels. Spread that is not used to cover shortfalls of interest or principal or to replenish one of the reserve funds within each interest period is not trapped within the structure.

The second layer of protection for investors are the two reserve funds. Reserve fund A is 1.70% of the outstanding principal balance of the PHs. It declines in size along with the current principal balance of the PHs and is replenished from spread income to the extent that it is used. Although the balance of this reserve fund may not be used to make payments of interest or principal to Series B Notes, the amounts released from the fund as the PH balance declines are used to fund any shortfalls according to the priority of payments before leaving the transaction and can therefore be used to meet principal and interest payments on the Series B Notes. The interest earned on this reserve fund is also available to cover losses of principal or interest on both classes of Notes.

Reserve fund B is 35 bp of the initial balance of the PHs. It is used to protect the Series B Bonds against shortfalls of interest on an ongoing basis, and against shortfalls of principal at the end of the transaction. The Reserve fund B does not decline.

The Issuer benefits from a GIC with Bancaja that guarantees a rate of interest equal to the three month MIBOR rate, on all amounts deposited in the Collection Account opened in the name of the Fondo at Bancaja (**A1**). If the short term rating of Bancaja drops below **Prime-1**, Bancaja will undertake within 30 days to transfer any collections under the mortgage participations to an account established with a **Prime-1** rated institution.

Interest on the Series B Bonos is subordinated to both Series A interest and principal and Series B Principal. Series B will also only be amortised if the principal balances of mortgages over 90 days in arrears is less than 7% of the remaining pool and there are no outstanding principal deficiencies within the structure.

Start-up expenses and the initial reserve fund are paid through a subordinated loan from Bancaja which is repaid with excess spread.

ORIGINATION/SERVICING

Moody's reviewed the facilities, underwriting and collections procedures, and servicing systems of Bancaja, and compared them with the overall lending practices of banks and mortgage lenders in Spain. Moody's believes that Bancaja (**A1**) is an experienced servicer that is capable of fulfilling its servicing obligations in the transaction.

MANAGEMENT COMPANY (GESTORA)

The management company (Sociedad Gestora) has broad powers under the Spanish securitisation law. Europea de Titulización, has experience of Spanish mortgage securitisation structures.

The obligations of the Gestora within the structure are guaranteed by its shareholders in proportion to their holdings. The Argentaria Group (through Banco Hipotecario **Aa3** and Caja Postal) accounts for 83% of the Gestora's capital. The remainder is owned by 15 institutions including JP Morgan (**Aa1**) 4%, Abbey National Bank 1.54%, Bankinter 1.53%.

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