FitchRatings

General Castaños, 11, 1ª 28004 Madrid
Tf: 91 702 46 12 **Fax:** 91 702 46 20

D. Ramón Pérez Hernández
TITULIZACIÓN DE ACTIVOS, S.G.F.T, S.A.
Calle Orense, n 69 2ndo piso
28020 Madrid

10 de junio de 2008

Re: Revisión de Calificaciones

Estimado señor Pérez Hernández,

Fitch Ratings España, S.A. le comunica que ha revisado las calificaciones de los bonos emitidos por los siguientes fondos, los cuales son administrados por Titulización de Activos, S.G.F.T, S.A.

Madrid RMBS I, Fondo de Titulizacion de Activos
Madrid RMBS II, Fondo de Titulizacion de Activos
Madrid RMBS III, Fondo de Titulizacion de Activos

Adjuntamos la nota de prensa que se ha emitido y publicado en nuestra página web, con respecto a los fondos arriba mencionados y las diferentes acciones que se han tomado para cada uno de los tramos.

Le agradecemos habernos dado la oportunidad de ofrecerle nuestros servicios. En caso de que necesite información adicional, puede ponerse en contacto con Rui Pereira través del teléfono 91 702 4612.

Atentamente,

Rui J. Pereira
Managing Director

Fitch : Info Center : Press Releases

Tagging Info

Fitch Downgrades 6 Tranches of FTA Madrid RMBS I, II and III; Changes Outlook to Negative

Ratings

10 Jun 2008 4:39 AM (EDT)

Fitch Ratings-London/Madrid-10 June 2008: Fitch Ratings has today downgraded six and affirmed 14 tranches of the Madrid RMBS I, II and III transactions, following a review of the performance. The collateral was originated by Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid). The rating actions are as follows:

Class A1 (ISIN ES0359091008): affirmed at 'AAA'; Outlook Stable
Class A2 (ISIN ES0359091016): affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0359091024): affirmed at 'AA'; Outlook Stable
Class C (ISIN ES0359091032): affirmed at 'A'; Outlook Stable
Class D (ISIN ES0359091040): affirmed at 'BBB'; Outlook changed to Negative from Stable Class E (ISIN ES0359091057): downgraded to 'BB' from 'BB+'; Outlook changed to Negative from Stable

Class A1 (ISIN ES0359092006): affirmed at 'AAA'; Outlook Stable
Class A2 (ISIN ES0359092014): affirmed at 'AAA'; Outlook Stable
Class A3 (ISIN ES0359092022): affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0359092030): affirmed at 'AA'; Outlook Stable
Class C (ISIN ES0359092048): downgraded to 'A-' (A minus) from 'A'; Outlook changed to Negative from Stable
Class D (ISIN ES0359092055): downgraded to 'BBB-' (BBB minus) from 'BBB'; Outlook remains Negative.
Class E (ISIN ES0359092063) downgraded to 'BB-' (BB minus) form 'BB+'; Outlook remains Negative.

Class A1 (ISIN ES0359093004): affirmed at 'AAA'; Outlook Stable
Class A2 (ISIN ES0359093012): affirmed at 'AAA'; Outlook Stable
Class A3 (ISIN ES0359093020): affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0359093038): affirmed at 'AA'; Outlook Stable
Class C (ISIN ES0359093046): affirmed at 'A'; Outlook changed to Negative from Stable
Class D (ISIN ES0359093053): downgraded to 'BBB-' (BBB minus) from 'BBB'; Outlook changed to Negative from Stable
Class E (ISIN ES0 ES0359093061) downgraded to 'BB-' (BB minus) from 'BB'; Outlook changed to Negative from Stable

The rating actions reflect significant deterioration in credit performance relative to Fitch's initial expectations when it assigned the ratings at end-2006 and mid-2007. Despite limited seasoning, all three transactions have exhibited worsening delinquency and default trends, which have become more pronounced in recent quarters. Partly driving elevated defaults in these transactions is the more conservative default recognition and provisioning mechanism, which treats loans in excess of six month in arrears as defaulted loans. While this structural feature has resulted in early default recognition, it has also allowed for efficient utilisation of excess spread available in these transactions. Nevertheless, reported defaults have exceeded available excess spread and reserve funds (RFs) for all three transactions have been tapped. The different rating actions across the three transactions reflect their relative performance, with Madrid RMBS II and III continuing to exhibit weaker credit performance.

Arrears, defined as three month plus delinquencies, have continued to climb in recent quarters. At end-April 2008, arrears for Madrid RMBS I and II stood at 1.94% and 2.53%, respectively, compared to 0.58% and 1.09% at end-September 2007 (10 months since closing) Also, Madrid RMBS III, with arrears of 1.93% at end-April 2008 (10 months since closing), is exhibiting higher arrears than Madrid RMBS I and II at the same time of seasoning. Reported defaults for Madrid RMBS I, II, and III totalled 1.23%, 2.18% and 0.73%, respectively, in April 2008. While defaults have increased for these transactions, noteholders should be able to benefit from the ultimate realisation of recoveries on these loans.

The relatively higher reported defaults for Madrid RMBS II and III have resulted in higher draws of their RFs. This pushed down the Class C, D and E current credit enhancement (CE) of Madrid RMBS II and III below the levels at closing. At end-April 2008, the Madrid RMBS II and III RFs stood respectively at 67.55% and 89.16% of their required amount. On the other hand, Madrid I CE was above the closing level for each of the Classes.

Given the steady increase in arrears and defaults, Fitch believes servicing and recoveries have grown in importance and are a key factor in the future performance of Caja Madrid's high loan-to-value transactions. Historically, Caja Madrid has demonstrated good servicing that resulted in high recoveries; however, the softening Spanish housing market, is putting pressure on house prices and extending the time required to liquidate properties.

Fitch had access to the pool cut of the deals and found that loans with no or just one guarantor, loans for second homes and Mapfre-originated loans are having higher arrears than the average of the portfolio. But the main drivers of the higher arrears are the 2005- and 2006- originated loans, and loans with higher margins and current loan-to-value (CLTV) above 100%. Loans with higher-than-100% CLTV and without mortgage insurance vastly increase the probability of losses when the properties are foreclosed.

Caja Madrid is the parent of Spain's fourth-largest banking group by assets. It activities are concentrated in Madrid. Caja Madrid's branches account for the origination of 47.2% of the securitised portfolio; its network of real estate agents for 44.9%; and the offices of the insurer, Mapfre Mutualidad, for 3.9%.

Fitch has employed its credit-cover multiple methodology in reviewing these transactions to assess the level of credit support available to each class of notes and has also fully re-modelled them, including revision assumptions, and expected levels of delinquency, defaults, prepayments and recoveries in line with the relevant rating scenarios, based on performance to date.

Rating Outlooks for European structured finance tranches provide forward-looking information to the market. An Outlook indicates the likely direction of any rating change over a one- to two-year period. For further information on Rating Outlooks, please see Fitch's "Scanning the Horizon - Rating Outlooks in European Structured Finance" report, dated 1 June 2007 and available at www.fitchratings.com. Further commentary and performance data on these transactions are available at www.fitchresearch.com.

For topical commentary on the European structured finance market, along with global capital markets coverage, please see www.fitchratings.com/capitalmarkets.

Contact: Santiago Isnardi, London, Tel: +44 (0) 20 7070 5832; Andy Brewer, +44 (0) 20 7417 3481; Jose Pablo Zuniga, Madrid, +34 91 702 4625; Rui Pereira, +34 91 702 57 74.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.