

C. N. M. V.  
Dirección General de Mercados e Inversores  
Pº Castellana, 19  
Madrid

### **COMUNICACIÓN DE HECHO RELEVANTE**

#### **MADRID RMBS I, FONDO DE TITULIZACIÓN DE ACTIVOS Descenso calificación bonos por parte de Fitch**

Titulización de Activos, Sociedad Gestora de Fondos de Titulización, S.A.  
comunica el siguiente Hecho Relevante:

- I. Respecto al fondo de referencia, adjuntamos nota de prensa publicada por Fitch con fecha 18 de Marzo.

En Madrid a 20 de Marzo de 2009

Ramón Pérez Hernández  
Director General



[Tagging Info](#)

## Fitch Downgrades 18 Tranches of FTA Madrid RMBS I, II and III; Revises Outlooks to Negative Ratings

18 Mar 2009 1:04 PM (EDT)

Fitch Ratings-London/Madrid-18 March 2009: Fitch Ratings has today downgraded 18 tranches and affirmed two tranches of the Madrid RMBS I, II and III transactions following a performance review. The collateral was originated by Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid). The rating actions are as follows:

### Madrid RMBS I

Class A1 (ISIN ES0359091008): affirmed at 'AAA'; Outlook Stable  
 Class A2 (ISIN ES0359091016): downgraded to 'AA' from 'AAA'; Outlook changed to Negative from Stable  
 Class B (ISIN ES0359091024): downgraded to 'A+' from 'AA'; Outlook changed to Negative from Stable  
 Class C (ISIN ES0359091032): downgraded to 'BB+' from 'A'; Outlook changed to Negative from Stable  
 Class D (ISIN ES0359091040): downgraded to 'CCC' from 'BBB'; assigned a 'RR3' Recovery Rating  
 Class E (ISIN ES0359091057): downgraded to 'CC' from 'BB'; assigned a 'RR6' Recovery Rating

### Madrid RMBS II

Class A1 (ISIN ES0359092006): affirmed at 'AAA'; Outlook Stable  
 Class A2 (ISIN ES0359092014): downgraded to 'AA-' (AA minus) from 'AAA'; Outlook changed to Negative from Stable  
 Class A3 (ISIN ES0359092022): downgraded to 'AA-' (AA minus) from 'AAA'; Outlook changed to Negative from Stable  
 Class B (ISIN ES0359092030): downgraded to 'A-' (A minus) from 'AA'; Outlook changed to Negative from Stable  
 Class C (ISIN ES0359092048): downgraded to 'BB' from 'A-' (A minus); Outlook Negative  
 Class D (ISIN ES0359092055): downgraded to 'CCC' from 'BBB-' (BBB minus); assigned a 'RR4' Recovery Rating  
 Class E (ISIN ES0359092063) downgraded to 'CC' from 'BB-' (BB minus); assigned a 'RR6' Recovery Rating

### Madrid RMBS III

Class A1 (ISIN ES0359093004): downgraded to 'AA-' (AA minus) from 'AAA'; Outlook changed to Negative from Stable  
 Class A2 (ISIN ES0359093012): downgraded to 'A+' from 'AAA'; Outlook changed to Negative from Stable  
 Class A3 (ISIN ES0359093020): downgraded to 'A+' from 'AAA'; Outlook changed to Negative from Stable  
 Class B (ISIN ES0359093038): downgraded to 'BBB' from 'AA'; Outlook changed to Negative from Stable  
 Class C (ISIN ES0359093046): downgraded to 'B' from 'A'; Outlook Negative.  
 Class D (ISIN ES0359093053): downgraded to 'CCC' from 'BBB-' (BBB minus); assigned a 'RR5' Recovery Rating.  
 Class E (ISIN ES0359093061) downgraded to 'CC' from 'BB-' (BB minus); assigned a 'RR6' Recovery Rating

The downgrades of all but two tranches of the three transactions reflect the poor performance of the underlying pools to date. The three transactions have seen defaults well above the agency's initial expectations and given the high LTV nature of the loans in the pools, combined with the deteriorating housing market in Spain, the agency expects the level of recoveries to be much lower than in recent years.

The transactions all use a provisioning mechanism whereby loans that are more than six months in arrears are defined as defaulted and written off using available excess spread. The volume of defaults to date has been greater than the available excess revenue, resulting in the reserve funds of all three transactions being fully utilised. This has caused the credit enhancement levels to decline below the levels at closing for all three tranches. To date cumulative defaults, net of recoveries, are equal to 5.94%, 7.08% and 6.71% of the initial collateral balance of Madrid I, II, and III respectively.

The provisioning mechanism is designed to avoid the cost of carry associated with defaulted loans, and in particular the lengthy foreclosure process in Spain. However, the full depletion of the reserve funds means the transactions are no longer able to write-off the full value of new defaults. This will mean that for new defaults the transactions will incur a cost of carry until these loans exit the pool, or enough revenue funds become available to fully write off the value of such loans. Fitch calculates that as of the last interest payment date 38%, 3% and 14% of the new defaults were written off in Madrid RMBS I, II and III, respectively

Due to the increasing volume of loans currently in arrears by less than six months, Fitch expects that the level of defaults in each transaction will not see any reduction this year. A continuation of high default levels is also likely to lead to the interest

deferral triggers being breached on each transaction. This will place interest on the deferred notes junior to the payment of principal in the waterfall, and given the current level of revenue, this will not be paid. The downgrades of the class D and E notes of each transaction reflect this risk, and also the agency's expectation that these tranches may not receive their entire principal and interest, reflected in the 'CCC'/CC' ratings and the Recovery Ratings assigned to these notes.

Fitch also has concerns about the speed of repossession and sale of properties by the servicer given the deteriorating Spanish housing market. Fitch's house price expectations for Spain are for a 25% peak to trough decline, and therefore delays in the repossession and sale of properties are likely to result in lower recovery levels than may be achieved if properties are disposed of more quickly.

The current low level of interest rates is likely to be helping some of the distressed borrowers in the pools. In addition, because interest rates are unlikely to increase in the near term, this is likely to help to limit defaults driven by affordability pressures. The agency notes that the servicer is expanding the size of its servicing and loss mitigation teams and is taking an active approach in helping distressed borrowers to avoid default. This should also help to limit the level of defaults, however, the agency believes that in a recessionary environment there is a limit to how successful such strategies can be.

The pools comprise loans with a very high weighted average original loan to value (OLTV), ranging from 98% (Madrid RMBS I) to 94.3% (Madrid RMBS III). As part of its analysis, Fitch identified that the higher OLTV loans and loans originated in later vintages are those seeing the highest level of arrears and defaults. Given the strong franchise of the originator in Madrid, more than half of the collateral of the deals is located in this city, and therefore the majority of defaulted loans are from Madrid.

Fitch has carried out a full loan-by-loan default analysis based on an updated pool for each transaction and an analysis of the projected cash flows. This analysis is the same as that applied to the new ratings.

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, which is available on the agency's public website, [www.fitchratings.com](http://www.fitchratings.com). Further commentary and performance data on the transactions is also available from Fitch's subscriber site, [www.fitchresearch.com](http://www.fitchresearch.com).

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

Contacts: Santiago Isnardi, London, Tel: +44 (0) 20 7070 5832; Peter Dossett: +44 (0) 20 7682 7427; Andy Brewer: +44 (0) 20 7417 3481; Rui Pereira, Madrid, Tel: +34 91 702 57 74.

Media Relations: Julian Dennison, London, Tel: +44 020 7682 7480, Email: [julian.dennison@fitchratings.com](mailto:julian.dennison@fitchratings.com).

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, [www.fitchratings.com](http://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.

Copyright © 2009 by Fitch, Inc., Fitch Ratings Ltd. and its subsidiaries.