Various Ratings In Four MADRID RMBS Securitizations Placed On CreditWatch Negative

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MADRID (Standard & Poor's) Feb. 20, 2009—Standard & Poor's Ratings Services has today taken various rating actions on four Spanish RMBS deals: MADRID RMBS I, Fondo de Titulizacion de Activos, MADRID RMBS II, Fondo de Titulizacion de Activos, MADRID RMBS III, Fondo de Titulizacion de Activos, and MADRID RMBS IV, Fondo de Titulizacion de Activos.

Specifically, we:
- Placed the class A notes in each deal on CreditWatch negative;
- Placed the ratings on the class B, C, and D notes issued by MADRID RMBS I on CreditWatch negative and lowered the rating on the class E notes and placed them on CreditWatch negative; and
- Placed the class D and E notes issued by MADRID RMBS IV on CreditWatch negative (see list below).

The most recent transaction information points to a further deterioration in the performance of the underlying mortgage loan pools in these deals. The results of our preliminary analysis showed that the credit enhancement available for these securitizations may not be sufficient to maintain the current ratings.

The notes, issued in November 2006, December 2006, July 2007, and December 2007 (I to IV, respectively) are backed by four portfolios of residential mortgage loans secured over properties in Spain. The loans were originated and are serviced by Caja de Ahorros y Monte de Piedad de Madrid (A+/Negative/A-1).

The mortgage portfolios underlying these transactions continue to generate high levels of arrears. 90+ day delinquencies, including defaulted loans, are 11.10% (Madrid RMBS I), 12.85% (Madrid RMBS II), 11.96% (Madrid RMBS III), and 13.37% (Madrid RMBS IV) of their current mortgage portfolios, well above the average for other Spanish residential mortgage-backed securities (RMBS) transactions with similar seasoning.

Recent performance data combined with the portfolio characteristics suggest that delinquencies will continue to rapidly increase over the next quarters. From Q2 2008 to Q4 2008, severe delinquencies reached around 8.6% from 3.1% (Madrid RMBS I), 10.4% from 5.5% (Madrid RMBS II), 10.5% from 3.4% (Madrid RMBS III), and 9.6% from 2.9% (Madrid RMBS IV).

All the transactions feature a structural mechanism that traps excess spread to provide for defaults. Defaults in these transactions are defined as arrears greater than six months, with the exception of Madrid RMBS IV, where defaults are defined as arrears greater than 12 months. As a result of higher delinquencies and this structural feature, all the transactions have drawn under their cash reserves. At the latest interest payment date Madrid RMBS II drew around €23.86 million (the total amount in that reserve).

The effect of the reserve drawings is twofold. On the one hand, it will not allow excess spread to flow from the deals for the foreseeable future, but on the other hand it impairs the internal liquidity of the transactions for so long as recoveries on defaulted assets are not received.

When the cumulative default rates in these Madrid RMBS securitizations reach a certain percentage of the initial balance, the priority of payments is altered so as to shut off interest payments to the related class of notes. For example, trigger levels are set for the class E notes at 8.00% (Madrid RMBS I), 8.00% (Madrid RMBS II), 8.94% (Madrid RMBS III), and 8.19% (Madrid RMBS IV).

As of the last investor report, the level of cumulative defaults as a percentage of the closing collateral balance was 5.66%, 6.97%, 5.81%, and 0.92%, for Madrid RMBS I, II, III, and IV, respectively. At the same time, 90+ day arrears plus cumulative defaults as a percentage of the closing balance were 9.83%, 11.62%, 11.41%, and 12.62%, respectively. This could be a used as a proxy of the expected default level of the transactions assuming that there is a high roll-over of 90+ day arrears into defaults. Today's rating actions take into account the relative likelihood of nonpayment of interest in the light of realized defaults and an assessment of the default risk in the residual portfolios.

RELATED RESEARCH

- Methodology And Assumptions: Update To The Criteria For Rating European SME Securitizations (published on Jan. 6, 2009)

Related articles are available on RatingsDirect. Criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

RATINGS LIST

Class	Rating To	Rating From

MADRID RMBS I, Fondo de Titulizacion de Activos
€2 Billion Residential Mortgage-Backed Floating-Rate Notes

RATINGS PLACED ON CREDITWATCH NEGATIVE

Class	To	From
A1	AAA/Watch Neg	AAA
A2	AAA/Watch Neg	AAA
B	AA/Watch Neg	AA
C	A/Watch Neg	A
D	BBB/Watch Neg	BBB

RATING LOWERED AND PLACED ON CREDITWATCH NEGATIVE

Class	To	From
E	B/Watch Neg	BB

RATINGS PLACED ON CREDITWATCH NEGATIVE

MADRID RMBS II, Fondo de Titulizacion de Activos
€1.8 Billion Mortgage-Backed Floating-Rate Notes

Class	To	From
A1	AAA/Watch Neg	AAA
A2	AAA/Watch Neg	AAA
A3	AAA/Watch Neg	AAA

MADRID RMBS III, Fondo de Titulizacion de Activos
€3 Billion Mortgage-Backed Floating-Rate Notes

Class	To	From
A1	AAA/Watch Neg	AAA
A2	AAA/Watch Neg	AAA

A3	AAA/Watch Neg	AAA

MADRID RMBS IV, Fondo de Titulizacion de Activos
€2.4 Billion Mortgage-Backed Floating-Rate Notes

A1	AAA/Watch Neg	AAA
A2	AAA/Watch Neg	AAA
D	BB/Watch Neg	BB
E	B/Watch Neg	B

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