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Ratings Lowered To 'D' On Junior Notes In MADRID RMBS II And MADRID RMBS III

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MADRID (Standard & Poor's) May 22, 2009—Standard & Poor's Ratings Services today lowered to 'D' its credit ratings on the class E notes issued by MADRID RMBS II, Fondo de Titulizacion de Activos (MADRID RMBS II) and the class D and E notes issued by MADRID RMBS III, Fondo de Titulizacion de Activos (MADRID RMBS III) following missed interest payments on these classes of notes on the May 22 interest payment date (IPD).

At the same time, we have taken various other rating actions:

- We lowered our ratings on various mezzanine notes issued by MADRID RMBS II, MADRID RMBS III, and MADRID RMBS I, Fondo de Titulizacion de Activos (MADRID RMBS I).
- We withdrew our ratings on the class A1 notes issued by MADRID RMBS I and MADRID RMBS II following full repayment.
- We affirmed the class A2 and E notes in MADRID RMBS I, the class A2, A3, and D notes in MADRID RMBS II, and the class A1 to A3 notes in MADRID RMBS III (see list below).

MADRID RMBS I, MADRID RMBS II, and MADRID RMBS III closed in November 2006, December 2006, and July 2007, respectively, and are each backed by a portfolio of residential mortgage loans secured over properties in Spain, originated and serviced by Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid).

When the level of defaulted loans in these transactions reaches a certain

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percentage of the initial collateral balance, the priority of payments is altered so as to shut off interest payments to junior notes in turn, with these funds diverted to amortize the most senior notes.

Defaults in these transactions are defined as arrears greater than six months, which is generally more conservative than in other Spanish residential mortgage-backed securities (RMBS) transactions that we rate.

The deferral trigger for each of the affected transactions and the current cumulative default level (both as a percentage of the initial collateral balance) are:

-- MADRID RMBS I. Current cumulative default level: 7.91%. Trigger levels: Class B: 18.30%, class C: 13.20%, class D: 9.40%, and class E: 8.00%.
-- MADRID RMBS II. Current cumulative default level: 9.29%. Trigger levels: Class B: 18.30%, class C: 13.20%, class D: 9.40%, and class E: 8.00%.
-- MADRID RMBS III. Current cumulative default level: 10.92%. Trigger levels: Class B: 20.30%, class C: 14.65%, class D: 10.47%, and class E: 8.94%.

As a result of breaching their respective trigger levels, the issuer has not paid interest on the class E notes issued by MADRID RMBS II and the class D and E notes issued by MADRID RMBS III; we have accordingly lowered our ratings on these notes to 'D'. The nonpayments were also due in part to the full depletion of the reserve funds in both transactions, which could have otherwise been used to cure the interest shortfalls.

The mortgage portfolios underlying these transactions continue to generate high delinquency levels. In our view, recent performance data, combined with the portfolio characteristics, suggests that delinquencies will continue to rapidly increase over the next few quarters. We calculate severe delinquencies, defined as arrears greater than 90 days (including outstanding defaulted loans), as standing at 11.68%, 13.00%, and 13.85% of the closing balance as of the end of Q1 2009 for MADRID I, II, and III, respectively. Given this deterioration, we have lowered the ratings on the class B and C notes in each transaction and on the class D notes in MADRID RMBS I to reflect the increased risk of interest deferral in the future.

RELATED RESEARCH

-- Methodology And Assumptions: Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities (published on Jan. 6, 2009)
-- S&PCORRECT: Various Ratings Lowered In Four Caja Madrid RMBS Securitizations (published on April 29, 2009)

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information 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.

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RATINGS LIST

Class	To	Rating	From
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MADRID RMBS I, Fondo de Titulizacion de Activos
€2 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

B	BBB-		A-
C	B		BB
D	CCC		B

Ratings Affirmed

A2	AA		
E	CCC		

Rating Withdrawn

A1	NR		AAA
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MADRID RMBS II, Fondo de Titulizacion de Activos
€1.8 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

B	BB		BBB
C	B		BB
E	D		CCC

Ratings Affirmed

A2	AA		
A3	AA		
D	CCC		

Rating Withdrawn

A1	NR		AAA
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MADRID RMBS III, Fondo de Titulizacion de Activos
€3 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

B	BB		BBB
C	B		BB
D	D		CCC

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