

Fitch Places TDA 27's and TDA 28's Junior Tranches on Rating Watch Negative

24 Jul 2008 4:39 AM (EDT)

Fitch Ratings-London-24 July 2008: Fitch Ratings has today placed the junior tranches of TDA 27 and TDA 28, Fondo de Titulizacion (FTA) residential mortgage notes on Rating Watch Negative (RWN). At the same time, it has revised the Outlook on two other tranches to Negative from Stable following a performance review.

The rating actions are as follows:

TDA 27

Class A1 (ISIN ES0377954005) affirmed at 'AAA'; Outlook Stable
Class A2 (ISIN ES0377954013) affirmed at 'AAA'; Outlook Stable
Class A3 (ISIN ES0377954021) affirmed at 'AAA'; Outlook Stable
Class interest-only (NAS-IO) (ISIN ES0377954088) affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0377954039) affirmed at 'AA'; Outlook Stable
Class C (ISIN ES0377954047) affirmed at 'A'; Outlook Stable
Class D (ISIN ES0377954054) affirmed at 'BBB'; Outlook changed to Negative from Stable
Class E (ISIN ES0377954062) 'BB' on Rating Watch Negative
Class F (ISIN ES0377954070) 'B+' on Rating Watch Negative

TDA 28

Class A (ISIN ES0377930005) affirmed at 'AAA'; Outlook Stable
Class interest-only (NAS-IO) (ISIN ES0377930062) affirmed at 'AAA'; Outlook Stable
Class B (ISIN ES0377930013) affirmed at 'AA'; Outlook Stable
Class C (ISIN ES0377930021) affirmed at 'A'; Outlook Stable
Class D (ISIN ES0377930039) affirmed at 'BBB'; Outlook changed to Negative from Stable
Class E (ISIN ES0377930047) 'BB' on Rating Watch Negative
Class F (ISIN ES0377930054) 'B' on Rating Watch Negative

The RWN and Outlook change reflect the worse-than-expected performance of both transactions, with higher arrears and defaulted loans; the latter are defined as loans in arrears by more than 12 months. Defaulted loans are written off, using available excess spread, and this has caused the reserve fund to draw at the last two interest payment dates (IPD) for TDA 27. Fitch expects that, given the higher arrears at the same level of seasoning, TDA 28 will follow a similar pattern. As a result, both transactions are expected to see reserve fund draws that will reduce the credit enhancement available to the junior notes. For this reason a RWN has been placed on the Class E and F notes of both transactions. Fitch expects to resolve the RWN following the next two IPDs, at the latest, as further performance data provide more clarity to current trends.

As of the May 2008 IPD loans in arrears by more than three months stood at 1.77% and 1.5% of the current collateral balance for TDA27 and TDA28, respectively. At present, only TDA 27 has experienced any defaults, equivalent to 0.22% of the initial collateral balance.

Fitch analysed the transaction based on updated loan-by-loan level data using the agency's latest Spanish residential mortgage default model criteria to assess the expected levels of delinquency, defaults and recoveries based on the current pool. The latest pool data also allows Fitch to assess which factors are driving the current arrears and defaults. Further information will be available in a performance update report to be published shortly on these two transactions.

Both transactions incorporate an interest only note (NAS-IO) that expires three years after closing. The NAS-IO strips excess revenue from the transaction, reducing the amount of excess spread available for first loss protection and therefore increasing the probability of a reserve fund draw. The NAS-IO of TDA 27 and TDA 28 expire in December 2009 and July 2010, respectively. Once the NAS-IOs expire the transactions will have an increased level of excess revenue available to junior items on the revenue waterfall.

TDA 27 is backed by mortgage loans originated in Spain by Caixa d'Estalvis de Terrassa (CaixaTerrassa, rated 'A-' (A minus)/'F2'), Caja General de Ahorros de Granada (Caja Granada, rated 'A-' (A minus)/'F2'), Caja de Ahorros de Vitoria y Alava (Caja Vital, rated 'A'/F1') and Union de Credito Financiero Mobiliario e Inmobiliario (Credifimo). TDA 28 is backed by mortgage loans originated in Spain by Caixa Terrassa and Credifimo.

Credifimo, a specialist mortgage lender in Spain, originated 17.8% of TDA 27 and 44.4% of TDA 28. The other three financial institutions of TDA 27, Caixa Terrassa, Caja Granada and Caja Vital originated 31.1%, 30.3% and 20.8% of the pool, respectively. TDA 28's other originator, Caixa Terrassa, accounted for 56% of the pool.

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 refer to 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 on the agency's subscription website, www.fitchresearch.com.

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

Contacts: Santiago Isnardi, London, Tel: +44 20 70705832; Peter Dossett, +44 20 7682 7427; Carlos Masip, +34 91 702 5773.

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.