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Research:

Presale: Fondo de Titulización de Activos UCI 14

Publication date: 27-Oct-2005
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€1,450 Million Mortgage-Backed Floating-Rate Notes

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Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A	AAA	1,377.5	6.50	Three-month EURIBOR plus a margin	June 20, 2043
B	A-	34.1	4.15	Three-month EURIBOR plus a margin	June 20, 2043
C	BBB	38.4	1.50	Three-month EURIBOR plus a margin	June 20, 2043

*The rating on each class of securities is preliminary as of Oct. 27, 2005 and is subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal.

Transaction Participants	
Seller and servicer	Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (UCI)
Underwriters	Banco Santander Central Hispano, S.A. and BNP Paribas
Trustee ("sociedad gestora")	Santander de Titulización, S.G.F.T., S.A.
GIC provider	Banco Santander Central Hispano, S.A..
Interest rate swap provider	Banco Santander Central Hispano, S.A.
Mortgage insurance provider	GE Mortgage Insurance Ltd., part of Genworth Financial Inc.
Transaction account provider	Banco Santander Central Hispano, S.A.

Supporting Ratings	
Institution/role	Rating
Banco Santander Central Hispano, S.A. as GIC provider, transaction account provider and interest rate swap provider	A+/Positive/A-1
GE Mortgage Insurance Ltd., part of Genworth Financial Inc. as mortgage insurance provider	AA/Stable/— (local)

Transaction Key Features*	
Expected closing date	November 2005
Collateral	Mortgage loans secured by first-ranking mortgages on residential properties and their associated personal loans ("associated loans") with an LTV ratio of less than 100% at closing, including 10% of mortgages and associated loans with a maximum five years at fixed interest rates and then floating from 2010 until maturity

Principal outstanding (Mil. €)	1,450
Country of origination	Kingdom of Spain
Concentration	Andalucía (22.6%), Madrid (16.9%), and Catalonia (15.74%)
Weighted-average LTV ratio (%)	75.87
Average loan size balance (€)	130,337
Loan size range (€)	10,054 to 551,228
Weighted-average seasoning (months)	9.8
Weighted-average asset life remaining (years)	29.7
Weighted-average mortgage interest rate (%)	4.12
Arrears (%)	None over one month
Redemption profile	Amortizing
Excess spread at closing (%)**	1.53
Cash reserve (€)	21,750,000 (1.5%)
Mortgage priority	First-lien
Maximum LTV ratio (%)	100
Jumbo loan > €400,000	3.49
*Preliminary pool as of August 2005. **Excess spread calculated taking into consideration the spread over certain indices.	

Transaction Summary

Preliminary credit ratings have been assigned to the €1,450 million mortgage-backed floating-rate notes to be issued by Fondo de Titulización de Activos UCI 14 (UCI 14).

UCI 14, as the issuer, will acquire credit rights backed by associated personal loans and mortgage loan participations, which, in turn, are ultimately backed by a pool of first-ranking mortgages secured over owner-occupied residential properties located in Spain from the seller, Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (UCI). To fund this purchase, UCI 14 will issue three classes of floating-rate notes.

Notable Features

This transaction is similar to the previous mortgage securitization undertaken by UCI in May 2005, Fondo de Titulización Hipotecaria UCI 12 (UCI 12), both in terms of structure and the types of products being securitized.

The major differences between UCI 12 are two structural features, which were included in a previous UCI transaction, Fondo de Titulización de Activos UCI 11. Firstly, an interest rate swap (with a smaller notional) will cover basis risk on the loans with an initial fixed interest rate period and secondly, the mortgage insurance on some of the loans will be provided by GE Mortgage Insurance Ltd., part of Genworth Financial Inc.

Strengths, Concerns, And Mitigating Factors

Strengths

- UCI is an experienced originator and servicer of mortgage loans, with 12 previous RMBS transactions.
- All mortgage loans consist of first-charge mortgage loans.
- GE Mortgage Insurance, a monoline mortgage insurer, has insured 42.87% of the mortgage loans (5,462 mortgage loans in total) with their respective associated personal loans, as well as an additional 102 mortgage loans (0.8% of the mortgage loans) whose associated loans have been cancelled.
- Protection for the noteholders is provided by credit enhancement including subordination, a 153 bps excess spread (before stresses), a 1.50% initial cash reserve fully funded at closing,

and mortgage insurance provided by GE Mortgage Insurance .

- The collateral has a varied geographic distribution (with 80% of it distributed across six provinces), with the largest concentrations in the major economic areas of Andalucía, Madrid, and Catalonia.
- There is provision for the mortgages and associated loans, which form the collateral, to be written off depending on their LTV ratios and length of arrears.

Concerns

- The characteristics of some of the underlying mortgage loans in the pool being securitized have a negative effect on the credit quality of the collateral and future cash flows (see "Collateral Description").
- There is basis risk since the assets in the portfolio are referenced to different indices, mainly Indice de Referencia de los Prestamos Hipotecarios (IRPH (84.8% of the portfolio) and one-year EURIBOR or MIBOR (15.1%), which resets interest at different dates. Moreover, 10% of the collateral at closing has an initial fixed rate period.
- The subordinated notes start to amortize pro rata if their proportion to the outstanding balance of the notes is double what it was at closing.
- There is commingling risk since collections will be held in the originator's account with Banco Santander Central Hispano, S.A. (SCH) for 24 hours.

Mitigating factors

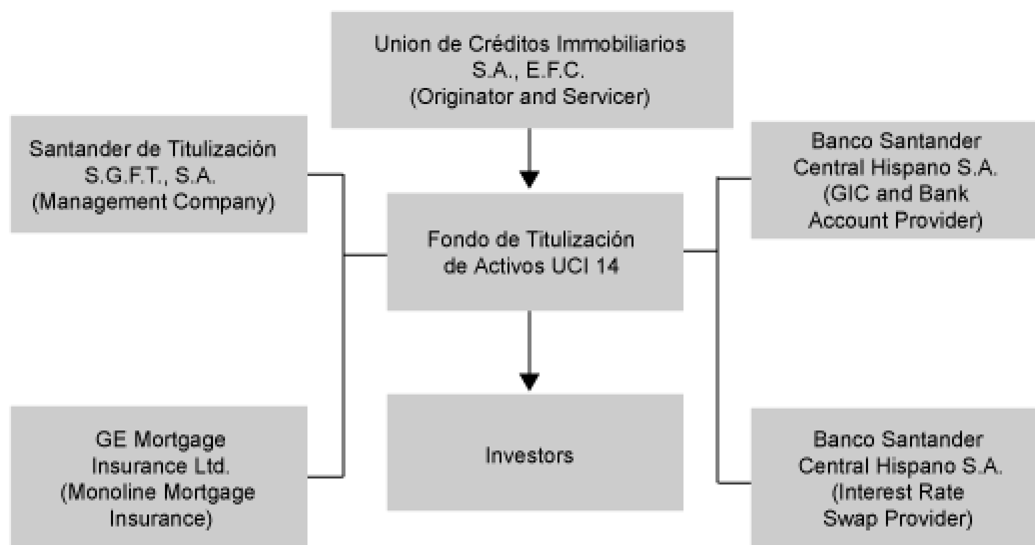
- All special features of the secured and unsecured loans have been taken into account when modeling cash flows and assessing the credit quality of the pool.
- Standard & Poor's has taken into account basis risk when calculating the credit enhancement levels for the transaction. In addition, an interest rate swap will hedge interest rate risk for the portion of the pool with an initial fixed interest rate period.
- Pro rata amortization has been modeled, and the structure will revert to purely sequential amortization if a series of conditions are met (see "Redemption of the notes").
- Monthly collections are not expected to be higher than 20% of the outstanding note balance, and the originator's bank account is with an 'A-1' rated financial institution (SCH).

Transaction Structure

The originator and servicer, UCI, will sell a closed pool of mortgage participations and credit rights to an SPE or "fondo" on the closing date (see chart 1). The sole purpose of the SPE is to purchase these mortgage participations and credit rights through the issuance of the notes and to conduct related activities.

Chart 1

Fondo de Titulización de Activos UCI 14 Structure



Spanish mortgage securitization law requires the notes to be issued by a "fondo", whose activities are managed by a fund manager, in this case Santander de Titulización, S.G.F.T, S.A. (Santander de

Tiulización), an independent management company authorized by the Ministry of Economy and Treasury. The fund manager will represent and defend the interests of the noteholders and will enter into various contracts for the issuer.

As servicer, UCI will be responsible for the day-to-day administration and ongoing servicing of the underlying portfolio of loans. Santander de Titulización will be responsible for producing all reports and accounts for the fund and Standard & Poor's in connection with the performance of the mortgages.

Standard & Poor's review of UCI's origination process and collection and default management procedures indicates that UCI is capable of performing the functions necessary to ensure the collection of borrower payments and the management of arrears and repossessions.

The class A noteholders are protected from potential credit losses on the underlying mortgages by the 5% subordinate class B and C notes, a 1.5% fully drawn reserve fund financed by a subordinated loan, excess spread, and the mortgage insurance. The class B noteholders are protected from potential credit losses by the 2.65% subordinate class C notes, the 1.5% reserve fund, excess spread, and the mortgage insurance. The class C notes are protected from potential credit losses by the 1.5% reserve fund, excess spread, and the mortgage insurance.

To meet full and timely payment of interest, the issuer may use principal receipts (if not needed to redeem note principal) to fund interest payments on the notes.

Main Transaction Parties

Fondo de Titulización Hipotecaria UCI 14 (issuer)

The issuer, UCI 14, is a "Fondo de Titulización de Activos" created for the sole purpose of purchasing the mortgage participations and credit rights from UCI, issuing the notes, and carrying on related activities. The issuer is not an entity at law but will hold a distinct and closed pool of assets available for distribution to the noteholders. The assets will be insulated from the insolvency of the originator and "sociedad gestora" (fund manager).

Unión de Créditos Inmobiliarios Establecimiento Financiero de Crédito (originator and servicer)

The originator of the assets is UCI, which was incorporated in 1989 as a specialized mortgage lending company. The capital in its immediate holding company (Unión de Créditos Inmobiliarios S.A.), which holds 100% of the shares in the originator, is owned 50% by SCH and 50% by BNP Paribas.

UCI originates residential mortgage loans to individuals through a network of Spanish real estate agents that brings business to UCI via one of its 52 branches around Spain or through around 45 agents covering other areas of the country. Mortgage servicing and risk decision-making is centralized in Madrid. As of June 30, 2005, UCI managed some €6.5 billion of assets in Spain, of which 54% has been securitized through 12 Spanish RMBS transactions.

All of UCI's mortgage properties have been valued by a single appraising entity duly registered in the official Register of the Bank of Spain, giving a consistent means of calculating the LTV ratio and scoring model.

Santander de Titulización, S.G.F.T., S.A. (fund manager)

The fund manager is Santander de Titulización. The creation of the fund manager was authorized by the Ministry of Economy and Treasury in December 1992. Under Spanish mortgage securitization law, the day-to-day operations of the issuer are managed by a fund manager, which will represent and defend the interests of the noteholders. The manager, on behalf of the issuer, will enter into certain contracts (in this case, a GIC agreement and a swap agreement) needed to protect it against certain credit losses and liquidity shortfalls assumed to arise in connection with holding the credit rights and mortgage participations.

Banco Santander Central Hispano, S.A. (bank account provider)

The collection account will be held with Banco Santander Central Hispano so long as it is rated at least 'A-1'.

GE Mortgage Insurance Ltd. (mortgage insurance provider)

GE Mortgage Insurance was incorporated in the U.K. in 1991 and is a monoline mortgage insurance

company. The company operates in seven European countries.

GE Mortgage Insurance, an indirect wholly-owned subsidiary of Genworth Financial, is a leading insurance holding company in the U.S. GE Mortgage Insurance has a Standard & Poor's financial strength rating of 'AA/Stable'. On May 24, 2004, Genworth completed an initial public offering or IPO whereby General Electric Company (GE) initially sold 30% of the equity of Genworth to outside investors. GE's ownership has now reduced to 27% of Genworth.

Collateral Description

The collateral, as in previous UCI transactions, incorporates loans with specific characteristics as follows:

- Associated loans: of the mortgages in the pool, 47.43% have an associated loan, representing 6.96% of the outstanding balance of the collateral. None of these associated loans is guaranteed by a mortgage, and 92% are covered by the policy granted by GE Mortgage Insurance.
- Inflation-linked loans: of the borrowers in the pool, 68.04% may limit the increase in their installment to a maximum of 200% for annual resets or 100% for semi-annual resets of the Spanish inflation rate, and can exercise this option once a year in the first three years of the loan (due to seasoning, this option will be available for a maximum of two years). The difference between the actual limited installment and the required installment without this feature is capitalized. Historically, less than 2% of UCI's clients have used this option in the past, none of them in the pools securitized in the past five transactions. If, on any interest payment date, more than 7% of the borrowers exercise this option, the excess spread available after all payments in the priority of payments will be deposited in the GIC account until the above percentage is below 7%.
- "Cuota comodín" (joker installment): of the mortgage loan balance, 6.62% may use this feature, which allows borrowers to defer one payment on their mortgage (this amount will be added to total principal) once a year during the first three years of the mortgage. Due to seasoning, this option will be available for a maximum of two years. Less than 10% of UCI's clients have used this option in the past.
- "Cuota fácil" (easy installment): of the mortgage balance, 30.6% benefits from a lower pre-agreed installment amount during the first three years of the life of the loans. The difference between the initial installment and the required installment without this feature is capitalized.
- "Cambio de casa" (bridging loan): of the mortgage balance, 18% is formed by loans granted to individuals who have not yet sold their current home but are seeking to purchase a new one. Borrowers with this option have a maximum of two years to sell their current home.

All of the loans in the portfolio are amortizing mortgage loans with monthly installments, due on the fifth day of each month. However, some of the loans have temporary periods of lower monthly payments, which are later reassessed to a higher level depending on the specific characteristics of every loan. At origination, loans with these features are granted based on the capacity of the borrower to pay the final increased monthly payment stressed at a higher interest rate than origination conditions.

The pool is made up of mortgage loans referenced to seven different indices, the majority of them resetting interest annually. Of the loans, 84.81% are indexed to IRPH and 15.11% indexed to the Bank of Spain's EURIBOR or MIBOR (12-month EURIBOR or MIBOR - Madrid Interbank Offered Rate).

At closing, none of the mortgages will have been delinquent longer than one month.

In the final pool to be securitized, approximately €7 million worth of the outstanding balance of mortgage loans will be included. These loans will be taken from the recently terminated (after the clean up call was exercised) Fondo de Titulización de Activos UCI 3 transaction.

None of these mortgages were assessed in the preliminary analysis, but the credit quality of the pool to be securitized will increase after their inclusion. These loans have a weighted-average LTV ratio of 33.9% and a weighted-average seasoning of 138 months. As for the rest of the collateral, none of these loans will be in arrears over one month on the closing date.

Further details of the collateral are shown in charts 2 to 4.

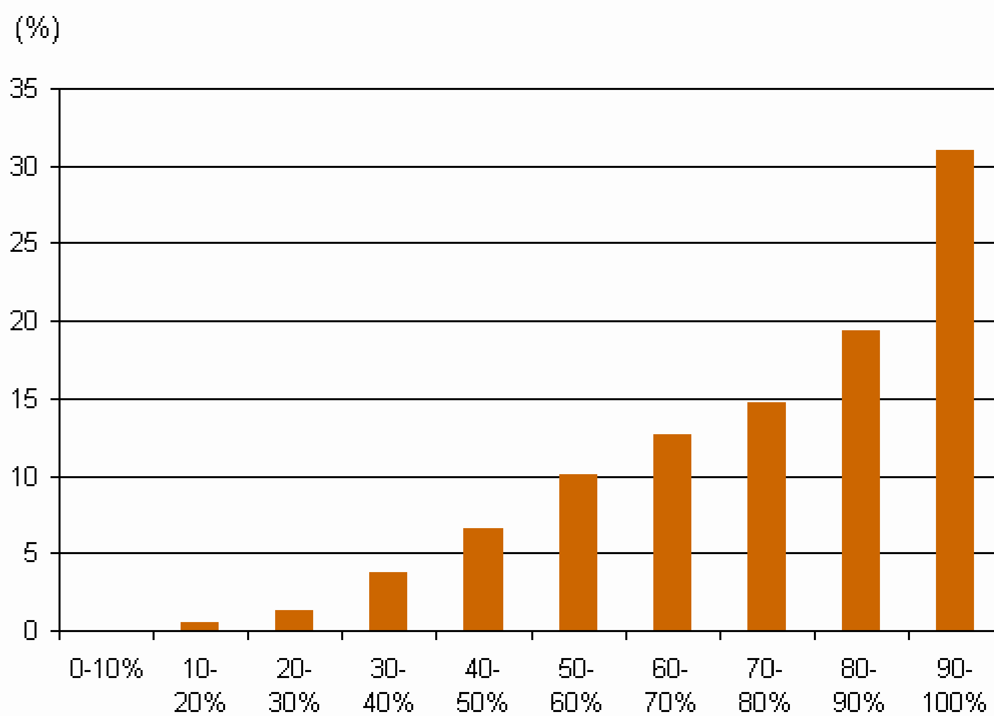


Chart 2
LTV Distribution
(%)
35
30
25
20
15
10
5
0
0-10%
10-20%
20-30%
30-40%
40-50%
50-60%
60-70%
70-80%
80-90%
90-100%

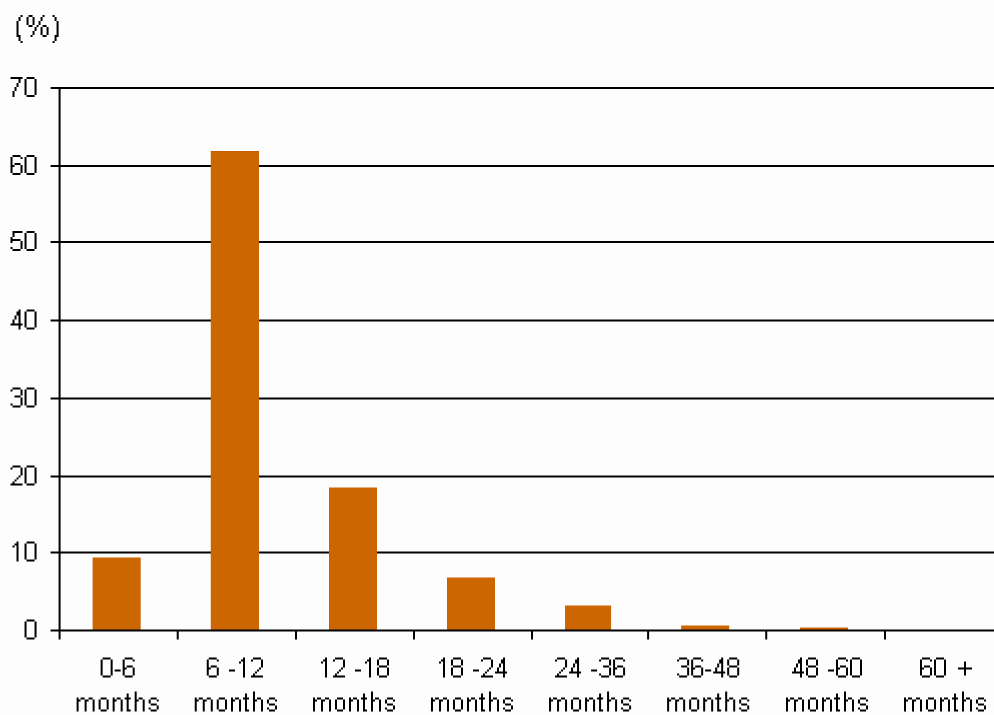


Chart 3
Seasoning Distribution
(%)
70
60
50
40
30
20
10
0
0-6 months
6 -12 months
12 -18 months
18 -24 months
24 -36 months
36-48 months
48 -60 months
60 + months

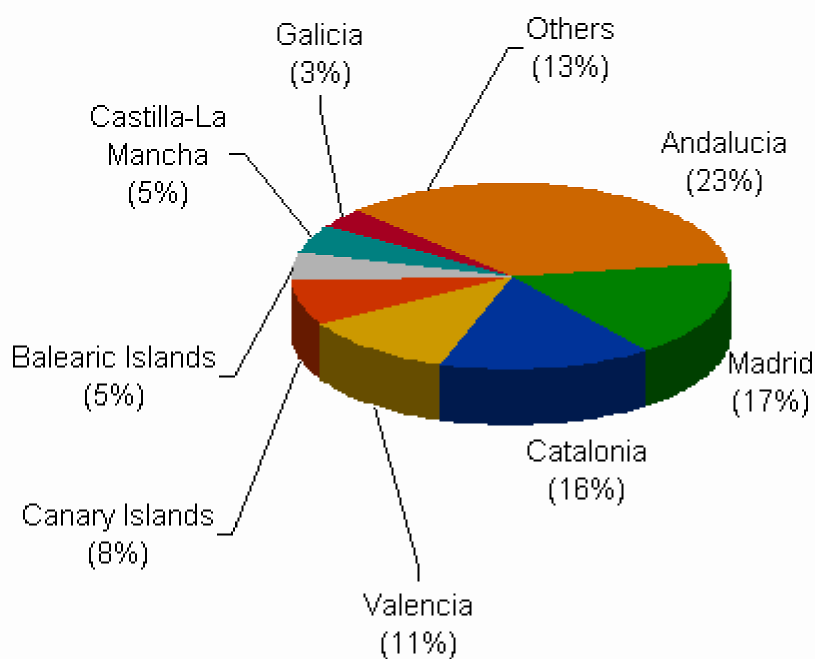


Chart 4
Geographical Distribution
Galicia (3%)
Others (13%)
Castilla-La Mancha (5%)
Andalucia (23%)
Balearic Islands (5%)
Madrid (17%)
Catalonia (16%)
Canary Islands (8%)
Valencia (11%)

Collateral risk assessment

Standard & Poor's conducts a loan-level analysis to assess the credit risk of a pool of mortgages, following the methodology explained in the criteria piece "Criteria for Rating Spanish Residential Mortgage-Backed Securities", see "Related Articles".

Standard & Poor's collateral risk assessment analyzes the foreclosure frequency and loss severity of each loan in the collateral pool. These depend on the characteristics of the borrower, the loan, and the rating on the notes.

The potential loss associated with a loan can be calculated by multiplying the foreclosure frequency by the loss severity.

To quantify the potential losses associated with the entire pool, Standard & Poor's calculates a WAFF and a WALS at each rating level.

The product of these two variables estimates the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level will be.

Credit Structure

Mortgage insurance

GE Mortgage Insurance protects the lender in a first-loss position if a mortgage borrower defaults on a loan and the proceeds of the sale of the property are insufficient to repay the outstanding debt. The specific insurance policy is the same reviewed under the transaction, Fondo de Titulización de Activos UCI 11, rated by Standard & Poor's in November 2004.

Of the associated loans, 92%, together with the corresponding mortgage loans, are covered by GE Mortgage Insurance. Eligible loans are those that at the time of origination had an LTV ratio between 80% and 97% and meet the terms and conditions under the mortgage insurance policy signed with GE Mortgage Insurance. The amount covered will be the difference between the initial amount of the loan and 78% of the original appraisal value. Coverage is constant for the life of both loans.

The ratings on the notes will be dependent on the rating on GE Mortgage Insurance and credit to the insurance has been given based on this rating.

Flow of funds

Borrowers will make their payments directly to UCI into a bank account with SCH, which will then pay these amounts to the issuer's bank account at SCH within 24 hours. If SCH's short-term rating falls below 'A-1', the issuer's account will be transferred to an appropriately rated institution. In the case of the insolvency of UCI, the bank accounts provider will transfer all amounts received under the collateral to the account of the issuer.

Reserve fund

The issuer will establish a fund on the closing date with the proceeds from the subordinated loan. It may be replenished on each interest payment date.

The subordinated loan will be fully drawn at closing to fund the reserve fund in an amount equal to 1.5% of the initial outstanding balance of the notes. The reserve fund may decrease, however, once it reaches 3% of the outstanding balance of the loans, but depending on the level of arrears (defined as greater than 90 days), the required reserve fund will be as follows:

- If arrears are below 0.75%, it will be 0.4% of the initial balance of the notes.
- If arrears are between 0.75% and 1.25%, it will be 0.7% of the initial balance of the notes.
- If arrears are above 1.25%, it will be the maximum between 3% of the outstanding balance of the notes and the maximum of 0.8% of the initial balance of the notes and the required reserve fund at the immediately previous interest payment date.

There will be no decrease of the reserve fund if at any time:

- The weighted-average interest rate on the loans is less than the weighted-average interest

rate on the notes plus 0.40%;

- There is any deficit of amortization as defined in the documents; or
- The balance of the collateral is less than 10% of the issuance amount.

Interest swap agreement

An interest-rate swap agreement between UCI 14 and SCH is intended to convert the fixed interest payments on 10% of the loans that will pay fixed interest up to 2010. The counterparty will receive 2.20% as a fixed interest rate on the notional described below.

In return, SCH will pay the variable rate payable on the notes (the payment dates of the swap and the notes will coincide).

The notional of the swap, based on loans that pay fixed rates for the first three to five years, is outlined in table 1.

Table 1 Swap Notional	
Date until	**Notional (€)**
Sept. 20, 2006	150,000,000
March 20, 2007	125,000,000
June 20, 2007	25,000,000
Dec. 20, 2008	15,000,000

Redemption of the notes

The amortization amount will be determined as the outstanding balance of the notes less the difference between the outstanding balance of the collateral and a percentage of the loans in arrears over 18 months.

As in previous UCI transactions, the write-off of delinquent loans will be gradual based on LTV ratios and the delinquency period as outlined in table 2.

Table 2 Write-Off Rules				
	18 months (%)	**24 months (%)**	**36 months (%)**	**48 months (%)**
LTV ratio > 80%	100	100	100	100
LTV ratio 60-80%	50	75	100	100
LTV ratio 40-60%	25	50	75	100
LTV ratio < 40%	0	0	25	50
Associated loans (insured)	25	50	75	100
Associated loans (not insured)	100	100	100	100

The notes will pay sequentially unless the following conditions are met, in which case the payments will be pro rata:

- The class B and C notes have doubled their initial proportion of the amount of all classes of notes at closing;
- The reserve fund is fully topped up;
- Arrears over 90 days are less than 2% of the balance of the assets;
- Principal deficiency is less than the outstanding balance of the class C notes; and
- The balance of the assets is greater than 10% of the note issuance at closing.

Unless redeemed earlier, the notes will be redeemed at their maturity 36 months after the maturity of the longest-term loan in the pool.

The notes may be fully redeemed if:

- The balance of the collateral falls below 10% of its original balance; or
- The fund manager becomes bankrupt or its authorization is revoked and no replacement can be found.

Interest rate triggers

A trigger will be implemented to partially postpone interest on the more subordinated notes for the benefit of payment of principal for the more senior notes. The trigger will be activated if the more senior notes are not sufficiently covered by the collateral.

However, when the trigger is activated, there will still be an interest payment on the postponed class senior to principal repayment of the notes if the ratio of accumulated defaults over the initial balance of the collateral is under 9.6%. The available funds for this payment will not include principal collections on the collateral, any amounts from the reserve fund, or cash received from the swap.

The triggers are as follows:

- Interest on the class B notes will be partially deferred if the outstanding balance of the class A notes less the available funds after payment of interest on the class B notes and the performing balance of the collateral is greater than zero.
- Interest on the class C notes will be partially deferred if the outstanding balance of the class A and B notes less the available funds after payment of the interest on the class C notes and the performing balance of the collateral is greater than zero.

Interest paid to the noteholders

Interest will be paid quarterly at a rate equal to three-month EURIBOR plus a spread yet to be determined.

Key Performance Indicators

The key performance indicators in the surveillance of this transaction will be:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios and seasoning;
- Constant prepayment rates;
- Supporting ratings evolution; and
- Increases in credit enhancement for the notes.

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed. Cash flow triggers will be checked to ensure the postponement of interest in case of worsening performance of the pool. Besides the reports, supporting ratings will be monitored and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Standard & Poor's Stress Test

Standard & Poor's analysis includes a conservative assessment of the credit risk inherent in the transaction, as described in the section titled "Collateral risk assessment". The credit enhancement levels have been sized after analyzing the impact that severe stress scenarios would have on the mortgage loan collateral. As a result of this analysis, Standard & Poor's estimated the largest amount of potential losses that could occur as a result of these stress scenarios and set the amount of loss protection required on the notes.

Specific penalties were applied with respect to the levels of aggregate defaults expected in the pool to reflect the foreclosure frequency attached to specific assets and/or the assets' location, and any terms and conditions that might increase or decrease credit risk. The analysis fully reflects the specific features of the Spanish market with respect to loss severity, foreclosure costs, and foreclosure periods.

A cash flow model simulating the portfolio's performance within the transaction's documented structure was run under certain rating scenarios to stress liquidity and the level of excess spread in the transaction.

Prepayment levels, fees and expenses paid by the issuer, and delinquencies were the most important parameters stressed in all the runs.

Criteria Referenced

- "Criteria for Rating Spanish Residential Mortgage-Backed Securities" (published on March 1, 2002).
- "Legal Criteria for Structured Finance Transactions" (published in April 2002).

Related Articles

- "Ratings Transitions 2004: Upgrades Outnumber Downgrades for First Time in European Structured Finance" (published on Jan. 17, 2005).
- "Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot" (published on June 2, 2004).

All criteria and related articles are available on RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Additional Contact: Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

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