UCI 8, Fondo de Titulización de Activos, Bonos de Titulización

Spain

CLOSING DATE:
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AUTHOR:

Spain

Sandie A. Fernandez
Analyst
(34) 91 702 6607
Sandie.Fernandez@moodys.com

CONTACTS:

Spain

Juan Pablo Soriano
Managing Director
(34) 91 310 1454
JuanPablo.Soriano@moodys.com

Madrid

Henry Charpentier
Analyst
(34) 91 702 6606
Henry.Charpentier@moodys.com

London/Frankfurt

Detlef Scholz
Managing Director
(44) 20 7772-5398
(49) 69 707 30 737
Detlef.Scholz@moodys.com

New York

Vernessa Poole
Asset-Backed Securities and Collateralised Debt Obligations
(212) 553-4796
Vernessa.Poole@moodys.com

Karyn Keeley
Structured Finance Group
(212) 553-4806
Karyn.Keeley@moodys.com

WEBSITE:
www.moodys.com

PLEASE NOTE: This pre-sale report addresses part of the structure and economics of the proposed financing based on the information provided to Moody's as of May 2002. Investors should be aware that Moody's has not received all transaction documents or legal opinions, with the exception of the Preliminary Offering Circular and certain transaction documents. The final rating on the transaction may differ from the preliminary rating, based on subsequent changes in information and the review of the final version of all the documents as well as the legal opinions. Moody's will disseminate any subsequent changes through its rating desk.

TRANSACTION IN BRIEF

Series	**A**	**B**
Rating:	(P)**Aaa**	(P)**A2**
Amount € million	580.2	19.8
Reference	3M Euribor	
Coupon	[•]	[•]

Payment Dates:	18 September, 18 December, 18 March, 18 June
Final Legal Maturity:	18 December 2033
Final Maturity:	18 June 2031
Issuer:	UCI 8, Fondo de Titulización de Activos

Originators/Administrators

Union de Creditos Inmobiliarios EFC, SA (UCI)(50% Group BSCH Aa3, P1 – 50% Group BNP Paribas Aa2,P1)

Management company (Gestora)	Santander Central Hispano de Titulización, SGFT, S.A.
Depository/Paying Agent /GIC Provider/ Back up Servicer:	Santander Central Hispano (Aa3/P1)

Collateral Characteristics

Type:	Credit Rights – 92% Mortgage Backed Securities + 8% Credit Rights
Coupon:	Underlying mortgage rate
Count:	12820 (personal 4534, mortgage 8286)
Total Amount (Approx.):	€ 600 million

Provisional Pool of Underlying Mortgage Loans

PERSONAL		**MORTGAGE**	
Number	4534	Avg loan	68803
Avg Loan	10,997	LTV	66.32%
Wavg interest	6.85%	Madrid	23.60%
Avg margin	2.55%	Andalucia	22.48%
Seasoning	23	Cataluña	18.55%
		Wavg interest	5.27%
		Margin	1.45
		W avg maturity	2028
		Seasoning	25

CREDIT ENHANCEMENT

1.85% RF, 3.30% B Bonds and Excess spread.
Issue Date: [June 28th 2002]

RATING OPINION

Moody's has assigned a (P) [**Aaa**] rating to the Series A, and a (P) [**A2**] rating to the Series B Bonds issued by UCI 8.

These ratings are based on:

- A loan-by-loan analysis of the quality of the mortgage loans underlying the bonds.
- The analysis of other types of risk, including operational risk, prepayment, interest rate and liquidity risk, as well as legal risk.
- The adequate credit enhancement, i.e. the subordination available to each rated class, which partially off-sets the above risks.
- The strength of the cash flows, including the reserve fund and any excess spread available to cover losses.
- The experience of the Santander de Titulización, S.G.F.T., S.A. and the supporting guarantee of the *gestora* obligations by all of its shareholders.
- The contractual obligations and credit strength of the parties to the transaction.

Moody's evaluation included the legal and regulatory context of the primary mortgage market and of structured transactions in Spain.

The ratings assigned to the Bonos de Titulización de Activos (BTAs) address the timely payment of interest and payment of principal on or before the final maturity of the transaction on December 18th, 2033.

RATING SUMMARY

Collateral

UCI SECURITISES TRADITIONAL MORTGAGE LOANS (i.e. LTV<80%) AND HIGH LTV MORTGAGES (i.e. 80% _ LTV < 100%)

UCI launches its eighth transaction with a total issuance amount of approximately 600 million Euros - As in previous deals, the assets backing the structure consist of Residential 1st lien Mortgages whose LTV is under 80% LTV ("ML") and Personal Loans ("PL") complementary to the ML's.

91.9 % ML

8.1 % PL

The transaction will consist of MSCs (Credit Rights) - All MSCs are valid and enforceable pursuant to the applicable legislation. In addition, UCI has full title to all MSCs.

"ML" - MORTGAGE LOANS

MLs are issued to Spanish Residents for the purpose of financing with a 1st lien Mortgage Guarantee the acquisition, construction or rehabilitation of residences located in Spain.

MLs are secured by a 1st property mortgage.

All of the securitized MLs are formalized in a public deed.

"PL" - PERSONAL LOANS

PLs are issued to Spanish Residents, always associated and complementary to the MLs, with the purpose of financing the amount between 80% and up to 105% LTV if needed. (56% of personal loans have a complementary mortgage loan in UCI 8).

As far as collateral goes, this transaction has combined average LTV levels of 69%, a strong geographical concentration in Madrid of 23.60%, and Andalucia of 22.48% and a good margin over Euribor (1.55%).

	MORTGAGE LOANS	PERSONAL LOANS
No of Loans	8,286	4,534
Outstanding Amount	570310040	49861153
Average Amount	68806	10997
Seasoning	24	23
Reference Index	100% variable	100% variable
	81% Mibor/Euribor/BE	
	17% IRPH	
	2% OTHER	
Geographical Concentration		
Madrid	23.60%	
Andalucia	22.48%	
Cataluña	18.55%	

LOANS HAVE THREE DISTINCT FEATURES

Joker Payment (84% of loans)

The borrowers have the option to skip up to one payment per year in the first 3 years (principal + interest). Under this system any difference between the floating rate charged on the loan and the cash amount payable in each period is capitalised with the rest of the loan.

Although a large % of debtors within the pool have this option, very few have actually used it in the past.

On a worst case scenario, the quota comodin would represent a very big penalty on the deal, however historically in the past not many people have used it (less than 3% have used it in UCI 7).

CPI Limitation (54% of Portfolio)

One noticeable feature of the transaction is that the majority of UCI clients have the option to limit in the first 3 years, the growth in instalment payable under the loan to 50%, 100% or 200%, the national inflation rate. All loans referenced to Mibor, Euribor, IRPH have the option to limit the cash flows payable to 200% the IPC rate.

It is obvious though, that with current scenarios of very low interest rates, the CPI option will not be used. It is also worth mentioning, as in the previous case that this option is strictly an "option" and that clients actually need to ask for approval in order to exercise this option.

The main problems a joker payment or a CPI limitation option, could have is that aside from the liquidity stress it can bring into the deal, it can cause a payment shock to the borrowers. (since once they skip a monthly payment, their monthly quotas will be increased afterwards - usually the increase in afterwards quotas is not very significant since the amount of one month is capitalised with the rest of the transaction). It is worth mentioning that this option is strictly an "option" and that clients actually need to ask for approval in order to exercise this option. As practice, UCI will double check the borrower's payment history and make sure that he/she does not have any arrears, once that is checked UCI has full discretion as to whether or not accept or reject the proposal.

In any case, on a quarterly basis, should the % of borrowers using these options surpass 15% for the joker payment or 7% for the CPI option, UCI will not receive the financial intermediation margin, and any additional moneys (corresponding to this margin) would be used as enhancement within the structure.

Cuota Modular (28% of Pool)

The third particular characteristic that these pool of loans has is the CUOTA MODULAR - this product gives borrowers the flexibility to know in advance the monthly quotas that they will be paying during the first three years. During the first year, the instalment will be smaller than during the second year and subsequently. This type of loan will not have the option to limit the instalments to the CPI rate.

So in effect, during the first year the client pays the established quota - During the second and third year, the client will pay the established quota + 2 possibilities:

- If the current interest reference rate is above the one from the first year - the borrower will not amortize as much principal as expected.
- Conversely, if the interest reference rate is below the one from the first year - the borrower will amortize more principal.

During the fourth year, the instalment is calculated taking into account the amount of principal outstanding, the remaining loan's life and the referenced interest rate. (From here onwards, the amount of principal to be repaid is recalculated as to account for any possible principal shortfall from the previous years).

STRUCTURE SUMMARY

UCI 8 has a Senior-Subordinated tranched structure with a Reserve Fund and Excess Spread. The transaction does not have a basis swap.

Credit Enhancement

Senior Subordinated Structure with a Reserve Fund

The certificate holders are protected from losses primarily through a traditional senior/subordinated structure with a Reserve Fund (RF).

- The first layer of protection is **spread** in the transaction, which is the difference between the note rate paid to the bondholders (EURIBOR 3 month plus [•] bp on the series A Bonos, and EURIBOR 3 month plus [•] bp on the series B Bonos) and the interest rate accrued from the Credit Rights (equivalent to Euribor 12 month + **155** bp).
  The value of the ongoing spread was assessed under a variety of adverse conditions that would minimise its availability, including high prepayment speeds, various loss distributions and high arrears levels.
- The second layer of protection for investors is the **reserve fund**, which amounts to 1.85% of the outstanding principal balance of the CRs. The reserve fund will be amortised once it reaches a level of 4.5% of the outstanding balance of the loans. Its floor will be fixed at 1% of the Credit Rights' original balance.
- The third layer of protection for investors is the Subordinated Tranche. The B Bond is initially equal to 3.30% of the original balance and will not be amortised until it reaches a level of 6.6% of the credit rights' outstanding balance. Its floor will be fixed at 0.75% of the Credit Rights' original balance.

In any case, should the transaction not behave as expected, the deal has in place several arrears triggers that will prevent the amortisation of both the RF and the B Bond, and will therefore protect the transaction against unexpected events. These are as follows:

The Reserve Fund will not be amortized if the following scenarios occur:

1. Should arrears over 90 days be over 2.85% of the CRs outstanding balance,
2. Should there be an amortization deficit
3. Should defaults represent an amount over 0.025% of the CRs initial balance multiplied by the number of payment dates elapsed since the closing date.
4. Should the weighted average interest rate on the CRs be lower than the weighted average interest rate on Bonds A and B + a margin of 0.40%.

The B Bond will not be amortized should the following scenarios occur:

1. Should arrears over 90 days be above 6.75% of the CRs outstanding balance,
2. Should there be an amortization deficit.

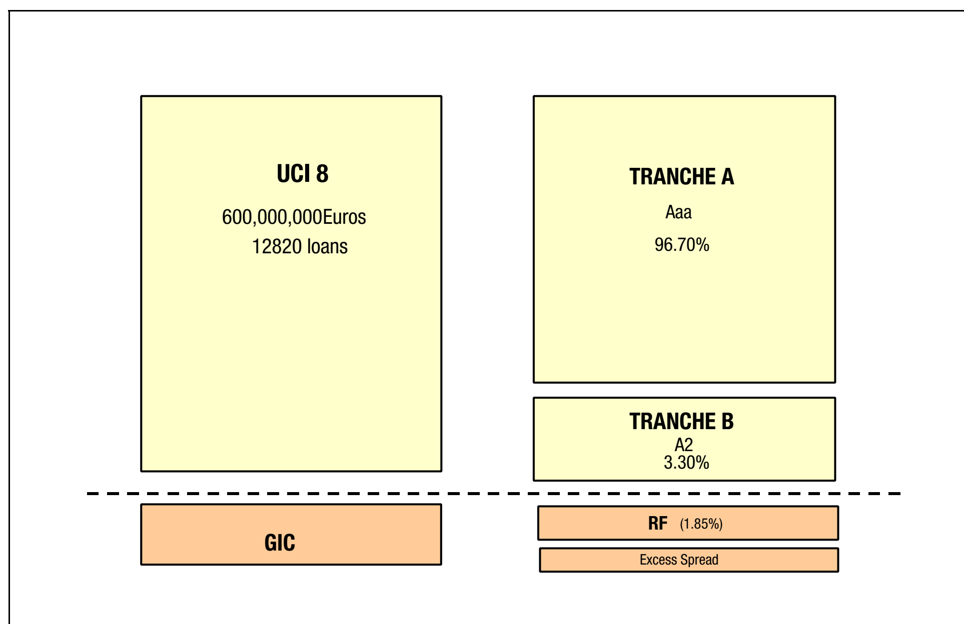
Start-up expenses are paid through a subordinated loan from UCI shareholders (UCB, HBF), which is repaid with excess spread.

BASIS AND LIQUIDITY RISK: DEAL NOT PROTECTED BY A SWAP

The structure is exposed to a degree of interest rate risks. The interest payable on the Series A and Series B bonds pay three-month Euribor, while the mortgages are mostly linked to twelve-month Euribor, Mibor and other indices. This transaction is not protected by a swap.

Although Moody's believes that any substantial interest rate mismatches between Euribor and the rest of the indices are likely to be relatively short-lived, they could expose the structure to certain liquidity risks.

However, this risk is mitigated by the size of the Reserve Fund, the class B notes and the excess spread.



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Moody's Rating Methodology

The primary objective of a mortgage pool analysis is to determine the potential level of losses resulting from individual mortgage loan defaults that the securitised portfolio of mortgages (or "pool") is likely to experience during its life and the anticipated variance around this point.

Although Moody's does *not believe that any predetermined model can accurately reflect all of the possible risk factors and combinations* within the Spanish mortgage market, a quantitative-based model (Loan-by-Loan) has been developed to assist in the analysis of mortgage loans under various conditions. Under this model, investors typically discover that the most significant elements of Moody's collateral analysis are the loan-to-value (LTV) ratio of the mortgage and those factors that address the extent and stability of a borrower's income.

Under the loan-by-loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following three ways:

- Deriving a *benchmark credit enhancement number* based on its loan-to-property value ratio (LTV). This number assumes that all of the characteristics of the loan (other than LTV) are identical with those of a good quality *benchmark loan.*
- *Modifying* the resultant *benchmark credit enhancement number* for each loan so as to reflect how the individual characteristics of that loan differ from those of a benchmark loan. These adjustments can be both qualitative and quantitative.
- Adding the enhancement levels for each loan in the pool together, and then adjusting this result based on the overall *concentrations of certain loan characteristics* in the pool.

The results of this loan-by-loan model are then reviewed by the rating committee along with performance data provided by the originator, and information available to Moody's on previously securitised pools.

Origination/Servicing

Moody's reviewed the facilities, underwriting and collections procedures, and servicing systems of the originators and compared them with the overall lending practices of banks and mortgage lenders in Spain.

Moody's believes UCI is capable of fulfilling its servicing obligations in the transaction. SCH is the backup servicer.

Management Company (*Gestora*)

The management company (*Sociedad Gestora*) has broad powers under Spanish securitisation law. Santander Central Hispano de Titulización, SGFT, S.A., is owned by SCH and has considerable experience of Spanish mortgage securitisation structures. The obligations of the *Gestora* within the structure are guaranteed by SCH (**Aa3**/**P1**).

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