UCI 5, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

SPAIN

CLOSING DATE:
June 4th, 1999

AUTHOR:

Spain
Juan Pablo Soriano
General Manager
34-91-310-1454

Spain
Sandie A. Fernandez
Senior Associate
34-91-310-1454

CONTACTS:

London
Dominic Swan
Sr. Vice President
(0171) 772-5354

London
Robbin Conner
Managing Director
(0171) 772 5356

New York
Client Services
(212) 553-7941

TRANSACTION IN BRIEF

	Senior Series A	**Subordinated Series B**
Rating:	**Aaa**	**A2**
Amount:	€ 253 million	€ 12 million
Coupon:	Euribor 3M + 0.23%	Euribor 3M + 0.625%
Payment Dates:	November 15th, February 15th, May 15th, and August 15th.	

Final Maturity: February 15th, 2029
Issuer : UCI 5, Fondo de Titulizacion Hipotecaria

Originators/Administrators
Union de Creditos Inmobiliarios, E.F.C., S.A. (UCI)

Management company (Gestora) Santander de Titulizacion, S.G.F.T., S.A.
Depository/ Paying Agent: Banco Santander Central Hispano **(Aa3/P1)**

Collateral Characteristics

Type:	Mortgage shares (Participaciones Hipotecarias: PHs)
Coupon:	Underlying mortgage rate
Count::	5500
Total Amount (Approx.):	44100 Mill. PTAS

Provisional Pool of Underlying Mortgage Loans

Type:	Primary residential mortgage loans	
WALTV:	64%	
Average Loans:	8.0 Mill. PTAS	
WAC (Current):	5.07%	
Interest Basis:	Variable	
Indices:	MIBOR 12M	99%
	MIBOR 6M	< 1%
	MIBOR 3M	
Orig. Loan Purpose:	Purchase, Construction and Renovation	
Geog. Concentrations:	Madrid (29.20%), Andalucia (24.50%) and Cataluña (21.30%)	
Structure:	Senior / Mezzanine / Reserve Fund	
Credit Enhancement:	4.50% B Bond, 2,10% Reserve Fund, Spread	
Issue Date:	June 4th, 1999	

RATING OPINION

Moody's ratings of the Series A and Series B Bonos de Titulizacion Hipotecaria (BTH's mortgage securitization bonds) issued by UCI 5 are based on:

- the legal characteristics of the mortgage shares (participaciones hipotecarias - "PHs")
- a loan by loan analysis of the quality of the mortgage loans underlying the mortgage shares,
- 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 subordinate position of the Series B Mezzanine Bonds with respect to the Series A Bonds),
- the strength of the cash flows, including the line of credit and any excess spread available to cover losses
- the experience of the Gestora Santander de Titulizacion S.A., S.G.F.T., and the supporting guarantee of the gestora obligations by all of its shareholders.
- and the contractual obligations and credit strength of the parties to the transaction.

Moody's evaluation included the legal and regulatory context of the primary and secondary mortgage market and of structured transactions in Spain.
The ratings assigned to the BTHs address the timely payment of interest and payment of principal on or before the final maturity of the transaction in February 2029.

RATING SUMMARY

COLLATERAL

Good Underlying Pool of Loans with 2 Distinct Features

Moody's believes the pool to have several strong characteristics such as good geographical diversification, vast static pool data, and the exclusion of loans in arrears at closing. UCI 5 has a very good geographical diversification, with only slight concentrations of its loans in Madrid (29.20%), Andalucia (24.50%) and Cataluña (21.30%). The arrears information is quite good, and UCI provides us with very good statistics and static pool analysis.

One noticeable feature of the transaction is that the majority of UCI clients have the option to limit the growth in the cash amounts payable under the loan to twice the national inflation rate and to skip up to one payment in the first 3 years. Under this system any difference between the floating rate charged on the loan and the cash amount payable in each period is capitalized with the rest of the loan.

The other distinct feature of the transaction is an element of interest rate risk between the yield earned on the mortgages and that payable under the bonds.

Although both features are considered somewhat risky, Moody's feels comfortable with these risks given the credit and liquidity support available to the transaction.

STRUCTURE SUMMARY

The (BTHs) are issued by a mortgage securitisation fund (Fondo de Titulización Hipotecaria) which was created and is managed by Santander de Titulizacion S.A., S.G.F.T the management company. The BTH's are secured by PHs.

Under Spanish law each PH represents a certain percentage of a single mortgage loan for the entirety of its remaining life and grants to its holder the right to undertake executory action against the originator and, under certain circumstances, the right to pursue the mortgage debtor. As the Fondo does not posses juridic personality any such action must be taken on its behalf by the Gestora. In this transaction all of the PH's represent 100% of the underlying mortgage loan and pay interest at the mortgage rate. Payments of interest on PHs purchased by a mortgage securitisation fund are not subject to withholding tax. However, interest payments on the BTHs issued by the fund are subject to withholding tax.

All of the mortgage loan securing the PH's were originated by UCI which will continue to service the loans and will repurchase any PH that is found to be backed by a loan that fails to meet various criteria. The Fondo benefits from a GIC with BSCH **(Aa3/P1)** that guarantees a rate of interest equal to the Bonds reference interest rate, on all amounts deposited in the Collections Accounts opened in the name of the Fondo with the originator.

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 B BTH´s pay 3 month Euribor, while the PH´s are all linked to 12M Mibor, (< 1% = 6 and 3 month Mibor). This transaction is not protected by a swap.

Although Moody´s believes that any substantial interest rate mismatches between Euribor and Mibor are likely to be relatively short lived, they could expose the structure to substantial liquidity risks .

This risk is mitigated by the size of the Reserve Fund and of the class B notes also provide protection against the risk that the average interest reset on 3 month Euribor might exceed that of 12, 6 and 3 month Mibor over the life of the deal.

Credit Enhancement

Typical Senior-Subordinated Structure

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

- The first layer of protection is **spread** in the transaction, approx. 115BP which is the difference between (1) the interest earned on the PH´s (MIBOR + 145 bp approximately) (2) and the coupons paid on the BTH´s and other obligations plus the Gestora fee. The value of the ongoing spread was assessed under a variety of adverse conditions which would minimise its availability, including high prepayment speeds, various loss distributions, and high arrears levels. Spread that is not used to cover shortfalls of interest or principal or to replenish one of the reserve funds within each interest period is not trapped within the structure.

- The second layer of protection for investors is the **Reserve Fund.** At any moment the maximum credit amount will be, equal to the minimum of the following quantities: 2.1% of the initial PH balance or 5% of the outstanding principal balance of the PHs. The Reserve Fund will never be less than 1% of the Initial PH Balance.

The Reserve Fund will stop amortizing should any of the following circumstances occur:

⇒ That the Outstanding Nominal Balance of the Certificates issued is greater or equal to the Outstanding Nominal Balance of the Issuer's Bonds

⇒ That the delinquency level is above 3%

⇒ That the Outstanding Nominal Balance of the Defaulted Mortgage Shares issued is above 0.025% of the Initial Nominal Value of the Mortgage Share Certificates multiplied by the number of payment dates elapsed since Closing Date.

- The third layer of protection is the **Series B Bonos** which initially amount to 4.50% of the PH original balance. Amortisation of the Series B Bonos will take place when the outstanding principal balance of the B Bonos is greater than or equal to 8% of the outstanding principal balance of the A Bonos. From that moment on, both A and B Bonos will amortise proportionally. The amortisation of the B Bonos will cease as soon as the B Bonos reach € 2,650,000. All the available funds, will then be used to amortise the A bonds, until they are fully repaid, and then to repay the B Bonos.

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 due to the support of its parent companies BSCH and Paribas, its direct mainframe connection with Santander de Titulizacion, S.G.F.T., S.A., and the evolution of its past transactions which are behaving according to expectations.

Management Company (Gestora)

The management company (Sociedad Gestora) has broad powers under the Spanish securitisation law.

Santander de Titulizacion S.A., is wholly owned by the BSCH Group. It has considerable experience on the Spanish mortgage securitization structures. The obligations of the Gestora within the structure are guaranteed by BSCH, S.A., **(Aa3/P1)**