STANDARD & POOR'S STRUCTURED FINANCE

Publication Date: Oct. 22, 2001
RMBS Presale Report

Fondo de Titulización de Activos UCI 7

€455 million series A and B bonds

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This presale report is based on information as of Oct. 22, 2001. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Profile
Expected closing date: Oct. 25, 2001.

Settlement date: Oct. 30, 2001.

Collateral: A pool of mortgage loans secured by first-ranking mortgages on residential properties located in Spain.

Underwriter: BNP PARIBAS (AA-/Stable/A-1+), Banco Santander Central Hispano S.A. (BSCH; A+/Negative/A-1).

Seller: Unión de Créditos Inmobiliarios, Establecimiento Financiero de Crédito (UCI).

Servicer: UCI.

Sociedad gestora: BSCH de Titulizacion, S.G.F.T, S.A.

Subordinated loan provider: BSCH and Union de Credit pour le Batiment SA (UCB; owned in a 99% by BNP PARIBAS).

GIC provider and backup servicer: BSCH.

Preliminary ratings as of Oct. 22, 2001			
Series	Preliminary rating*	Preliminary amount (Mil. €)	Recommended credit support (%)
A	AAA	438.6	5.60
B	A	16.4	2.00

Rationale

Preliminary ratings are assigned to the series A and B bonds to be issued by Fondo de Titulización de Activos UCI 7. The bonds are backed by a portfolio of *participaciones hipotecarias*, or mortgage participations, and reflect the quality of the collateral, enhanced by strong coverage of potential liquidity shortfalls and credit losses. The ratings also reflect the ability of the Unión de Créditos Inmobiliarios, Establecimiento Financiero de Crédito (UCI) to administer the loans.

Final ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and the completion of a corporate overview.

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Strengths, Concerns, and Mitigating Factors

Strengths

The strengths of the transaction observed in the rating analysis are:

- The collateral has a strong credit quality.
- All of the loans are first charge mortgage loans.
- The structure is able to generate excess spread of 145 basis points (bps).
- Ninety-four percent of the portfolio has a loan-to-value (LTV) less than 80%.
- All credits in the pool were originated one year ago or before, with a weighted-average seasoning of 32 months.
- At closing the subordinated loan will be fully drawn provided by Banco Santander Central Hispano S.A. (BSCH) and Union de Credit pour le Batiment SA (UCB).
- There is no set-off risk, since UCI is not a deposit taker.
- Of the mortgages sold, 34% have a double mortgage back guarantee.
- The mortgage pool is adequately diversified.

Concerns

Concerns identified with respect to the transaction are:

- Six percent of the mortgage participations are issued in excess of

existing LTV thresholds, according to Section II of Law 2/1981 although never exceed 100%.
- There is not a swap mechanism to hedge the basis risk.
- Of the pool, 27% has an associated loan, which is also secured with the property. The balance of these associated loans is not securitized, but the security ranks pari passu with the loans to which they are associated.
- A significant part of the mortgages in the pool have specific options that can be exercised during the first 36 months after origination (see *Mortgage Options' Concerns and Mitigants* below).
- "Moving house" mortgages are a concern in that 2.6% of the pool are still waiting to sell the house. Failure to do so will increase the probability of default of the obligor.
- Commingling risk exists since collections will be trapped into the originator's account with BSCH for 48 hours.

Mitigating Factors
Factors that mitigate these concerns are:

- If any party challenges the issuance of mortgage participations that does not fully meet the requirements of Section II of Law 2/1981, UCI as originator/servicer will provide all available documentation and make its best efforts to perfect the issuance of the mortgage loans, and the *sociedad gestora* will act accordingly to protect the interests of the noteholders. Extraordinary expenses, such as taxes, notary fees, and registering fees have been sized, and they will be covered by the excess spread of this transaction.
- The mortgage participations will generate an excess spread of 145 bps to cover the basis risk of the transition.
- The LTV ratio has been increased by adding to the mortgage participations the outstanding balance of the associated loans, although the combined is never above 100%; and upon any shortfall of principal and/or interest collections, the servicer will apply such collections pro-rata.
- Standard & Poor's has taken into account the consequences of exercising such specific options (see *Mortgage Options' Concerns and Mitigants* below).
- Foreclosure frequency has been stressed for "moving house" borrowers. In addition, in a failure to sell the first house, the mortgage will be backed by two properties in full possession by UCI.
- Monthly collections will not be higher than 20%, and the originator's account is in an 'A-1' financial institution (BSCH).

Mortgage Options' Concerns and Mitigants
The concerns and mitigating factors with regard to the specific options available to many mortgages in the pool are as follows:

- Of the pool, 8.5% has a prefixed installment for the first three years. Thus, if interest rate rise, the incremental cost that is due to the lender capitalized. Regarding the prefixed installments, though, only 3% have this right that remains for another year, and 5% have this right for the remaining two years. Due to the amortization nature of the mortgage participation, the annual speed at which those mortgage participations amortize will not increase at each interest rate calculation date of the *participaciones hipotecarias*, and, therefore, its LTV.
- All the borrowers have the right for the first three years to take a one-month payment holiday in each year. However, all the mortgage loans originated before October 1998 (28% of the pool) have already lost the benefit of taking a one-month payment holiday. Of the pool, 24.6% has the right to take another payment holiday, and 46.5% of the pool has right to take to two further payment holidays. However, due to the amortization nature of the mortgage participation, the annual speed at

which those mortgage participations amortize will not increase at each interest rate calculation date of the *participaciones hipotecarias*, and, therefore, its LTV.

- Of the pool, 86.5% has the right to limit the increase in their monthly installments to a multiple of the inflation rate. The factor that mitigates this is that all the loans originated before October 1998 but after April 1998 have already exhausted such option (3.5% of the pool); loan originated after October 1998 and before October 1999 can exercise only once; and mortgages originated after October 1999 but before October 2000 can exercise such option twice, due to the amortization nature of the mortgage participation, the annual speed at which those mortgage participations amortize will not increase at each interest rate calculation date of the *participaciones hipotecarias*, and, therefore, its LTV. Finally, all the loans originated before April 1998 (25% of the pool) can exercise such option for the entire life of the loan. LTV has been increased by adding the capitalized shortfall to the mortgage participations of the outstanding balance. The current general downward trend in European interest rates makes it unlikely that this option will be exercised by clients in the near future.
- Of the pool, 11% has an "easy installment" in the first three years. Yet due to the amortization nature of "easy installment" mortgages, the annual speed at which those mortgage participations amortize will not increase at each interest rate calculation date of the *participaciones hipotecarias*, and, therefore, its LTV.

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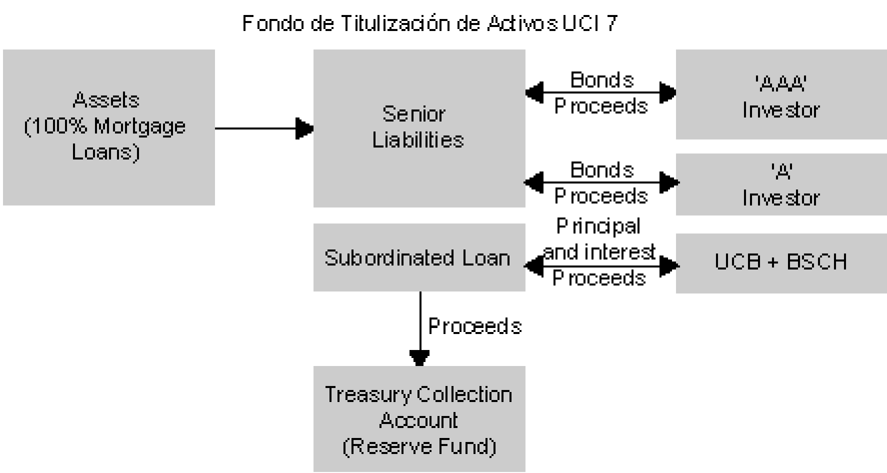
Transaction Structure and Roles of the Parties

The structure of the transaction is shown in the following chart.

Fondo de Titulización de Activos UCI 7 Structure



Fondo de Titulizacion de Activos UCI-7 (Issuer)

The issuer of the bonds is a separate special-purpose entity (SPE) established for the purpose of this transaction and registered with the *Comision Nacional del Mercado de Valores*. The issuer has been established for the purpose of issuing the bonds and purchasing the portfolio of loans.

Unión de Créditos Inmobiliarios S.A., Establecimiento Fianciero 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 (Union de Creditos Inmobiliarios, Sociedad Anonima) which holds 100% of the shares of the originator) is 50% owned by BSCH and 50% by

Paribas.

UCI originates residential mortgage loans to individuals through a network of Spanish real estate agents that brings business to UCI via one of UCI's 25 branches around Spain or through about 90 agents covering other areas of Spain. Mortgage servicing is centralized in Madrid.

BSCH de Titulización, S.G.F.T., S.A. (Sociedad Gestora)
The role of BSCH de Titulización is to generally represent and protect the interests of the noteholders and to oversee the administration of the portfolio. Only this company will be able to enforce the security under the terms and conditions of the bonds and it will always have to act in the best interest of the bondholders.

The Account Bank
The collection account will be held with BSCH as long as it has a required short-term rating of 'A-1'.

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Structural Overview

The mortgage Securitization Law in Spain requires the bonds to be issued by a *fondo*, or fund, whose activities are managed by a *sociedad gestora*, in this case BSCH de Titulización, an independent management company authorized by the Ministry of Economy and Treasury. The fund's sole purpose is to purchase the mortgage participations, issue the bonds, and conduct related activities. The *sociedad gestora* represents and defends the interests of the bondholders and enters into the various contracts for the issuer.

The mortgage participations are issued and serviced by UCI. As servicer, UCI is responsible for the day-to-day administration and ongoing servicing of the underlying portfolio of mortgages. BSCH de Titulización is responsible for producing all reports and accounts for the fund and Standard & Poor's in connection with the performance of the mortgages.

Each participation is backed by a single residential mortgage loan. Mortgagors make their payments directly to BSCH, which then pays these amounts to the issuer's bank account at BSCH. If BSCH's short-term rating falls below 'A-1', the issuer's account will be transferred to an appropriately rated institution.

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 series A bondholders are protected from potential credit losses on the underlying mortgages by the 3.6% subordination of the series B bonds, 2.0% fully drawn subordinated loan as a reserve fund, and excess spread between the fund's revenue and expenses.

Revenue shortfalls, resulting from mortgage defaults, should not impair the issuer's ability to meet timely and full interest payments on the series A bonds. This is because the issuer may use mortgage principal receipts (not yet needed to redeem bond principal) to fund interest payments on the bonds.

Liquidity is also provided by the subordination of the series B bonds, excess spread, and the reserve fund.

The reserve fund, which is equal to 2% of the outstanding mortgages at the start date, also protects the issuer against the risk that mortgage payments could be temporarily trapped with BSCH if it were to become insolvent or bankrupt; this is commingling risk. Because the required size of the reserve fund is based on the amount of outstanding mortgages, the fund may be reduced as the mortgage pool amount reduces. The reserve fund is held with BSCH, as long as it is rated 'A-1'.

The lack of a basis interest rate swap agreement between the *sociedad gestora* (on behalf of the issuer) and UCI is mitigated by the excess spread in the transaction, which is expected to be 145 bps. Bonds will pay quarterly indexed to three-month EURIBOR, whereas mortgage loans pay monthly installments indexed as follows: 85% of the pool is indexed to 12-month EURIBOR/MIBOR (Madrid interbank offering rate); 6% of the pool is indexed six-month EURIBOR/MIBOR; and 8% of the pool is indexed to IRPH (average rate of Spanish lending institutions).

The series B bondholders are protected from potential credit losses on the underlying mortgages by a the 2% reserve fund, and excess spread.

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Bond Terms

Interest will be paid on the 17th day of March, June, September, and December, beginning in December 2001 (subject to normal business conditions). Unless redeemed earlier, the bonds will be redeemed at their maturity in March 2033, 30 months after the longest-term mortgage.

Principal is passed through to series A and B bondholders on interest payment dates. All available principal will be used to redeem series A bonds until the ratio of series B bonds to series A bonds equals 7%. Once the ratio is 7%, principal will be allocated on a pro rata basis to both series until the series B bond's balance equals 0.75% of the initial balance of the mortgage participations. However, redemption of the series B bonds will be interrupted if 6.5% or more of the mortgages are at least 90 days delinquent, or if there is any deficit in the amortization. Once the series A bonds have been fully redeemed, then the series B bonds will start to amortize.

The subordinated loan will be fully drawn at closing to fund the reserve fund by an amount equal to 2% of the outstanding balance of the mortgage loans. However, the reserve fund may decrease once the reserve fund is equal to 4.25% of the outstanding balance of the mortgage loans, but not lower than 0.75% of the outstanding balance of the initial mortgage participations, subject to any of the following conditions not occuring:

- No more than 2.75% of the mortgages are at least 90 days delinquent; or
- If loans that are more than 12 months delinquent are greater than the amount resulting from multiplying 0.025% of the initial mortgage loans by the number of payment dates since the original disbursement date; or
- The weighted-average interest rate on the mortgage loans is less than the weighted-average interest rate on the bonds plus 0.4%; or
- If there is any deficit of amortization.

The bonds may be fully redeemed if:

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

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Collateral Description

The collateral securing the obligations consists of a €455 million pool of mortgage participations issued by UCI. Each participation is backed by an individual first mortgage loan that is fully amortizing and secured by a residential, owner-occupied property in Spain. The issuer is entitled to receive all principal and interest from the underlying mortgages.

The participations will be subject to the same risks of delayed payments and losses as the underlying mortgage loans. According to Spanish legislation, interest payments on the mortgage participations will not be subject to any withholding tax.

Approximately 8,000 mortgages back the collateral pool; they have an average loan size of €57,000. The mortgage payments are made by monthly installments, comprising principal plus interest. Six percent of the loans have an LTV ratio that is greater than 80%, and the average current LTV ratio is 63%. The mortgages were originated between September 1994 and August 2000 and have an original maximum term of 30 years (September 2030).

As of the sale date of the bonds, none of the mortgages will be greater than 30 days delinquent. Since 1996, the historical arrears for UCI's residential mortgage portfolio for loans that are greater than three months delinquent been fairly stable and relatively low.

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Servicer Review

Standard & Poor's has met with the originator/servicer to gather information in certain key areas to review the ability of the originator/servicer to administer the mortgages. Although Standard & Poor's considers the ability of UCI to service these loans to be satisfactory, the credit analysis assumes that BSCH would be appointed by the issuer as back-up servicer, in a stress scenario, sufficient funds have been sized for in the transaction to cope with that possibility.

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Surveillance Details

Continual surveillance will be maintained on the transaction until the bonds mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed, 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.

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