UCI 7, Fondo de Titulización de Activos, Bonos de Titulización

Spain

EXPECTED CLOSING DATE:
October 26, 2001

AUTHOR:

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

CONTACTS:

Spain
Juan Pablo Soriano
Managing Director
(34-91) 702-6608
Juanpablo.Soriano@moodys.com

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

London
Detlef Scholz
Managing Director
(44-20) 7772-5398
Detlef.Scholz@moodys.com

New York
Vernessa Poole
All Asset Backed and Residential Mortgage Backed Securities
(212) 553-4796
Vernessa.Poole@moodys.com

WEBSITE:
www.moodys.com

TRANSACTION IN BRIEF

Series	A	B
Rating:	**Aaa**	**A2**
Amount	€ 438.6 million	€16.4 million
Reference	3M Euribor	
Coupon	0.25%	0.70%
Payment Dates:	17 September, 17 December, 17 March, 17 June	
Final Maturity:	17 September 2030	
Issuer:	UCI 7, Fondo de Titulización de Activos	

Originators/Administrators

	Union de Creditos Inmobiliarios EFC, SA (UCI) (50% Group BSCH **Aa3**, **P1** - 50% Group BNP Paribas **Aa3**,**P1**)
Management company (Gestora)	Santander Central Hispano Titulización, SGFT, S.A.
Depository/Paying Agent/ GIC Provider/ Back up Servicer:	Santander Central Hispano (**Aa3**/**P1**)

Collateral Characteristics

Type:	Credit Rights - 100% Mortgage Backed Securities
Coupon:	Underlying mortgage rate
Count:	8249 (on 10th Sept.)
Total Amount (Approx.):	€ 455 million

Provisional Pool of Underlying Mortgage Loans

Type	Residential Mortgage Loans
WALTV	64%
Average Loan	57.578 Euros (on 10th Sept.)
Interest Basis	100% Variable
Indices	EURIBOR 12M (43.88%), MIBOR 12M (41.4%), MIBOR 6M (7.76%), IRPH (6.25%)
Average Margin:	1,45%
Geog Conc	Madrid (25.26%), Cataluña (15.32%), Andalucia (25.70%)
Structure	Senior - Subordinated - Reserve Fund
Credit Enhancement	2% RF, 3.60% B Bonds and Excess spread.
Issue Date:	October 26, 2001

RATING OPINION

Moody's has assigned a **Aaa** rating to the Series A, and a **A2** rating to the Series B Bonds issued by UCI 7.

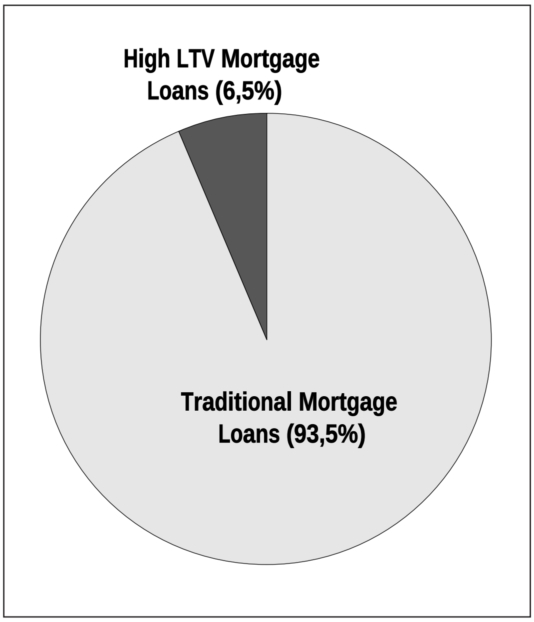
These ratings are based on:

- 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 Central Hispano 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 17 September 2030.

RATING SUMMARY



COLLATERAL

UCI Securitises Traditional Mortgage Loans (i.e. LTV<80%) and High LTV Mortgages (i.e. 80% = LTV < 100%)

In the previous transaction, UCI had securitised high LTV loans that consisted of a combination of both personal and mortgage loans. The mortgage loans were issued to cover up to an 80% LTV limit, while the personal loans were used to cover any excess funds that would exceed the 80% limit. This division-structure was implemented at UCI just a few years ago.

Prior to that time, UCI lent high LTV mortgages without any personal loans linked to them. This practice has even been used in recent years, although at a much slower pace and with certain strict lending criteria such as strong borrower quality, low debt-to-income ratio, third-party guarantees, etc.

UCI 7 is securitising this type of product - i.e. a small proportion of high LTV mortgages mixed with the traditional LTV<80% mortgages. In any case, a vast majority of the securitised loans (93.5%) do not exceed the 80% LTV limit, and of the remaining 6.5% that do exceed the 80% limit but never surpass 100% LTV .

Compared with previous UCI transactions and setting aside the main difference in product type, the pool shares some common characteristics with previous UCI deals. Geographic concentration is quite standard, with a strong concentration of loans in Andalucia (25.70%) and Madrid (25.26%). Seasoning is quite strong with a weighted average seasoning of 32 months. Moreover, in line with previous UCI deals, net spread is very strong.

All loans within the portfolio are linked up to a first lien Mortgage and are used for the acquisition, construction o rehabilitation of a residence located in Spain.

LOANS HAVE TWO DISTINCT FEATURES

In addition, as in the previous transactions, UCI loans have two distinct features that can be used in the first 3 years: a joker payment option and the option to limit the monthly instalments to x% the national inflation rate.

JOKER PAYMENT

UCI loans offer borrowers the option to skip one monthly payment (interest + principal) per year during the first three years of the loan's life. During the joker payment period, any unpaid amount is carried over, thereby increasing the outstanding principal amount and capitalising any unpaid interests, a reset is done every year when renewing the clients installment.

Although all the loans within the portfolio actually have this option, UCI reserves its right to accept or deny any joker payment petition. UCI will make this judgement based on the borrowers' payment capacity and on whether or not he/she has been in arrears before.

Moodys believes this risk to be significant for the deal as it could cause liquidity stress for the transaction if the majority of the debtors choose to exercise this option during one particular period of the year. Apart from this obvious liquidity risk, it can also potentially cause a payment shock to borrowers whose monthly instalments will be increased after a joker payment is used. At the cut-off date, less than 5% of UCI 7's debtors are using it.

We have modeled some potential stress scenarios in order to quantify the risk in terms of the pool's final required credit enhancement levels. In addition, we have also taken into account the fact that the pool's seasoning mitigates these risks. At closing date, 28% of the loans no longer have this option, 25% can only use the option once more and 47% can actually use it twice more.

IPC OPTION

83% of the loans within the portfolio have the option to limit their monthly instalments to x%, the national inflation rate. Most of these loans have this option capped at 200% IPC levels, although the cap of some loans is at 50% and 100% IPC levels (for clients having a Mibor 3 month or Mibor 6 month reference index)

As with the previous option, the pool's seasoning mitigates this risk. 29% of the debtors could use this option once more and only 41% of them could actually use it within the next two years. Moody's has also analysed statistics regarding the frequency of debtors that have used this option in the past and found that, on average, less than 1% of debtors have exercised the option.

STRUCTURE SUMMARY

UCI 7 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 + *145 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 2.00% of the outstanding principal balance of the PHs. The reserve fund will be amortised once it reaches a level of 4.25% of the outstanding balance of the loans. Its floor will be fixed at 0.75% of the Credit Rights' original balance.
- The third layer of protection for investors is the Subordinated Tranche. The B Bond is initially equal to 3.60% of the original balance and will not be amortised until it reaches a level of 7.00% 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.

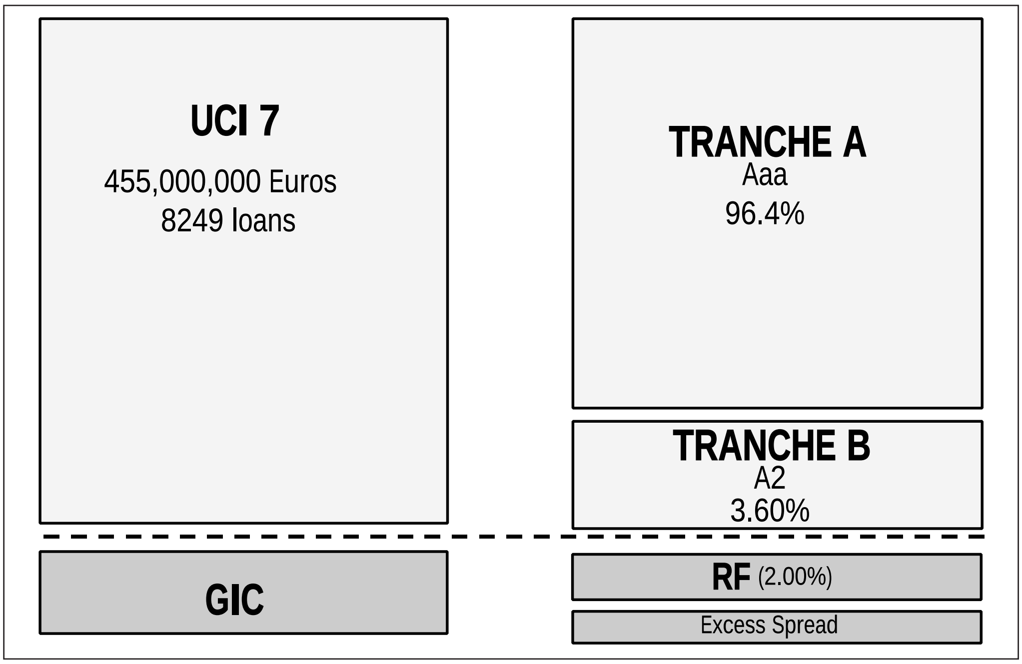
Start-up expenses are paid through a subordinated loan from the originators, which is repaid with excess spread.

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.



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.

Management Company (Gestora)

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

Doc ID# SF11424isf