UCI 9 Fondo de Titulización de Activos

UCI
RMBS
Spain

PLEASE NOTE: *This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of May 2003. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The* ***definitive*** *ratings may differ from the* ***prospective*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk.*

CLOSING DATE
June 2003

Lead Analyst

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

Backup Analyst

Alberto Barbachano
Senior Associate
Madrid
(34) 91 702 6601
Alberto.Barbachano@moodys.com

New York

Marie Erickson
Investor Liaison Specialist
(212) 553 4796
Marie.Erickson@moodys.com

Client Service Desk
London: (44) 207 772 5454
csdlondon@moodys.com

Monitoring
London: (44) 20 7772 5399
monitor.london@moodys.com

Frankfurt: (49) 69 7073 0731
monitor.frankfurt@moodys.com

Paris: (33) 1 53 30 1074
monitor.paris@moodys.com

Madrid: (34) 91 702 6601
monitor.madrid@moodys.com

Milan: (39) 02 5821 5596
monitor.milan@moodys.com

WEBSITE
www.moodys.com

RATINGS

Class	Rating	Amount	% of Total	Legal Final Maturity	Expected Maturity
A	(P)**Aaa**	€	95.85%	June 2035	December 2017
B	(P)**A2**	€	3.4%	June 2035	December 2017
C	(P)**Baa2**	€	0.75%	June 2035	December 2017
Total		€	**100%**		

The ratings address the timely payment of interest, and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

OPINION

Strengths of the Transaction

- Good margin over the loans
- Writeoff Mechanism at 18 months is included
- Only mortgage loans are included within this portfolio
- Low average loan amount (maximum loan size = 300,000 euros)
- Good Seasoning of 19 months
- 40% of the loans have an extra first ranking mortgage guaranty
- Good Geographical distribution
- Structurally the transaction has a fully funded RF from day 1
- Experience of UCI as originator and SCH Titulizacion as management company

Weaknesses and Mitigants

- 20% Subsidised properties and 2% second lien mortgages are included
- No hedging mechanism

Moody's Investors Service

10 June, 2003

STRUCTURE SUMMARY (PROVISIONAL POOL)

Issuer:	UCI 9 Fondo de Titulizacion de Activos
Structure Type:	Spanish Fondo de Titulización de Activos
Seller/Originator:	UCI
Servicer:	UCI
Interest Payments:	Quarterly on 19th (March, June, September, December)
Principal Payments:	Pass-through on a quarterly basis
Credit Enhancement/Reserves:	Subordination, Reserve Fund (RF), Excess Spread
Liquidity Facility:	N/A
Hedging:	No hedging mechanism
Principal Paying Agent:	Santander Central Hispano (**A1**)
Security Trustee:	Santander Central Hispano de Titulizacion S.G.F.T, S.A
Note Trustee:	Santander Central Hispano de Titulizacion S.G.F.T, S.A
Lead Manager and Underwriters:	BNP Paribas (**Aa2**), Santander Central Hispano

COLLATERAL SUMMARY (PROVISONAL POOL)

Receivables:	Mortgage Shares and Mortgage Certificates (*Participaciones Hipotecarias*: PHs (93%) and Certificados de Transmisión de hipotecas (7%)
Number of Contracts:	17.407
Number of Borrowers:	17.407
Type of Collateral:	Residential Property
Geographic Diversity:	Madrid (22.50%), Barcelona (15.11%), Las Palmas (7.40%)
Current WALTV:	64.80% (maximum 99.9%)
Remaining Term:	26.6 years
Seasoning:	19 months
Delinquency Status:	No loans in arrears for more than a month at the closing time
Total amount:	€1,347,555,531.57

CREDIT SUPPORT

Class	Index Rate	Margin
A	3M Euribor	
B	3M Euribor	
C	3M Euribor	

OVERVIEW

UCI launching its 9th Securitisation Transaction

UCI is launching its 9th transaction within the Spanish market. UCI has been a main player in securitization in Spain over the last years. Currently, its shareholders are 50% BSCH and 50% BNP PARIBAS.

UCI is a financial credit entity whose role is to grant mortgage loans within Spain. Their origination process is done via 3 distinct channels (categorized by order of importance)

- Real Estate Agents - Most of UCI loans are originated with the help of real estate agents -
- Offices - UCI does have some branch offices where it is possible to go and apply directly for a mortgage loan. There are currently 35 offices in Spain
- Internet - Loans can also be originated through the web - in a lot of cases, those loans originated by internet have better conditions than loans originated directly at UCI.

STRUCTURAL AND LEGAL ASPECTS

Transaction Structured as Asset Securitisation Fund (FTA)

According to the Spanish Law each loan with an LTV below 80%, is represented by a PH (Participacion Hipotecaria) and loans with an LTV above 80% or second lien mortgages are represented by Mortgage Certificates.

Under Spanish law, each PH or Mortgage Certificate 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. As the fondo does not possess any legal personality, any such action must be taken on its behalf by the gestora. In this transaction, all of the PHs and Mortgage Certificates represent 100% of the underlying mortgage loan and pay interest at the mortgage rate.

Payment Structure Allocation

At any payment date, funds available to issuer (mortgage principal income received, ordinary and late-payment interest income received, the drawdowns under the RF only to meet payment of the fund’s obligations under items 1 to 5, and the amounts received under the interest swap agreement) will be applied in the following order of priority:

1. Cost and fees
2. Interest payment to Class A Notes
3. Interest payment to Class B Notes
4. Interest payment to Class C Notes
5. Reserve Fund replenishment
6. Notes’s Amortisation
7. Interest payment to Class B Notes (when deferred)
8. Interest payment to Class C Notes (when deferred)
9. Junior cost (Payment of interest accrued on and repayment of principal of the subordinated Loan; Payment of interest accrued on and repayment of the principal of the Start-Up Loan; payment to the servicer of amounts due under the servicing agreement; and payment of variable remuneration under the financial intermediation agreement)

The amount to be retained as "Notes's Amortisation" will be equal to the difference (if positive) between: (1) the outstanding amount of the Notes and (2) the difference between (i) the outstanding amount of the portfolio and (ii) the outstanding amount of the loans with any amount due but unpaid for more than 18 months.

Interest Deferral Mechanism

Class B interest payments will be brought to a more junior position in order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than [9.00]% of the outstanding amount of the portfolio, and (ii) Class A Notes have not been fully amortised on such payment date.

Class C interest payments will be brought to a more junior position in order of priority if (i) the aggregate outstanding amount of loans more than 90 days in arrears represents more than [6.00]% of the outstanding amount of the portfolio, and (ii) Class A and B Notes have not been fully amortised on such payment date.

Pro-Rata Amortisation

This transaction also includes Pro-rata amortisation. Pro-rata amortisation entails risk as opposed to fully sequential transactions given that the credit enhancement decreases in absolute terms. The risks introduced by pro rata amortisation are mitigated by the following triggers:

- Class B Notes will start amortising pro rata with the Class A notes when they represent [6.8]% of the outstanding balance under the Class A, B and C notes.
- Class C Notes will start amortising pro rata with the Class A and B notes when they represent [1.50]% of the outstanding balance under Class A, B and C notes.

However, the pro rata amortisation will cease if in any payment date:

- There is a principal deficiency (i.e. there are not enough funds available to pay the Notes's Amortisation on any payment date), or
- The outstanding amounts that are more than 90 days in arrears represent more than [2.25]% of the outstanding amount of the loans, or
- The available amount under the Reserve Fund is not equal to the then current required amount

In addition to these triggers, the pro rata amortisation will cease when the loan balance is less than 10.0% of the initial loan balance.

Clean-up Call Option

The issuer has a clean-up call option: it can purchase the loans back when the current portfolio balance is less than 10.0% of the initial portfolio balance.

No Hedging Mechanism

Given the fact that the transaction does not have any hedging mechanism, Moody's has had to evaluate the impact of a potential basis risk within the portfolio. The structure is exposed to a degree of interest rate risks. The interest payable on the Series A, B, and C BTAs pay 3 month Euribor, while the credit rights are linked to annual official revision rates such as Euribor, Mibor, IRPH.

We have performed an analysis on the effect of not having a swap agreement should we have a shortfall in order to cover interest payments on our bonds. Nevertheless, we have also taken into consideration prepayment speeds (which would allow the SPV to actually receive more funds than required to make payments) and the margin over the mortgage loans, which are higher than the margin on the notes themselves. The additional adjustment for not having a swap has been included within the final credit enhancement levels.

Reserve Fund

Santander Consumer Finance S.A. y Union de Credit pour le Batiment S.A. ("UCB") will provide the Reserve Fund. The Reserve Fund will be fully funded up front. At each point in time the required amount to be available under the Reserve Fund will be the lesser of the following amounts:

1. [1.40%] of the initial balance of the notes
2. the higher of the following amounts:
3. [2.80%] of the outstanding notional balance of the notes
4. [0.75%] of the initial amount of the nominal balance of the notes

The floor on the RF will change if arrears over 90 days exceed certain limits. Current limits are as follows:

90+ ARREARS

Between 0.00% y 0.74%: (RF floor = 0.75%)

Between 0.75% y 1.24%: (RF floor = 1.00%)

Amortisation of the Reserve Fund will cease if the following scenarios occur:

- The amount of loans more than 90 days in arrears exceeds [1.25%] of the current principal balance of the portfolio
- There is a principal deficiency

COLLATERAL – REFERENCE PORTFOLIO

The collateral in this transaction consists of a combination of both Traditional mortgage loans and VPO (subsidised properties) loans. In addition loans from the previously securitised UCI 1 portfolio have also been included in the deal (i.e. clean up call option has been exercised on the UCI 1 deal and the subsequent remaining loans have been included here).

Traditional Mortgage Loans:

UCI 9 contains traditional mortgage loans. Approximately [92.70%] of the portfolio consists of loans below 80% level (first lien loans) while [2.2%] of the portfolio contains high LTV loans (second liens) and [5.1%] of the portfolio also contains high LTV loans (but are classified as first liens).

VPOs:

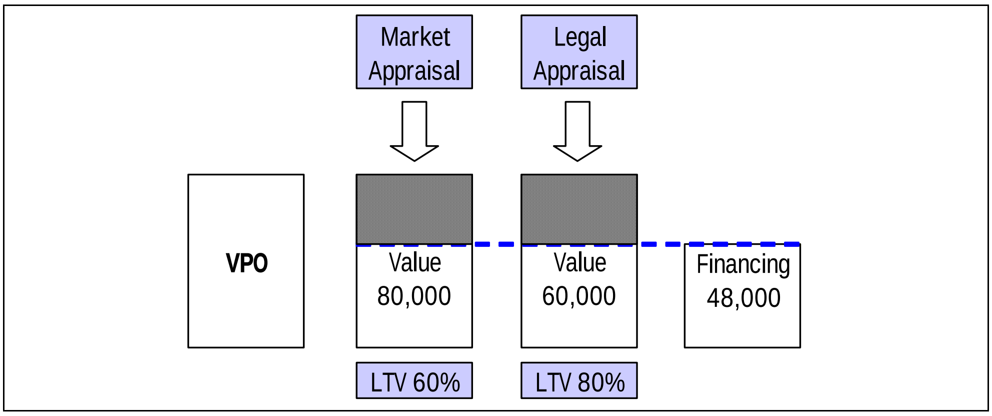
A peculiarity in this deal is that 20% of the pool contains loans granted for the purpose of acquiring a subsidised property (VPOs).

Several issues regarding these loans:

Subsidised properties have 2 values:

Legal value - the legal value is the value of the property under the subsidy category determined by the municipalities. In many cases, a much lower value than what the property would be if it was not subsidised.

Market value - This is the actual value of the property should the subsidy category not be in place. This market value is obtained by the appraisal company.



It is possible to convert a VPO property into a market value property by Law - lenders grant financing based on the legal appraisal for these properties but do take into consideration the market value since within the appraisal report contains both the market value and the appraisal value.

This lender in particular offers 2 forms of financing - a mortgage loan (first lien) (1) which covers up to 80% of the legal LTV, and (2) a second mortgage loan (second lien) which covers anything over the 80% LTV level up to the market value of the property or purchase value. So for example:

LEGAL VALUE = 60,000

MARKET VALUE = 80,000

MORTGAGE 1 = 48,000 (equal to 80% LTV)

MORTGAGE 2 = 32,000 (equal to the difference between obtained initial financing and property market value)

TOTAL MORTGAGE = 80,000 (100% LTV MARKET based on market value)

LTV based on Legal Value = 133%

PLUS SPECIAL FEATURES

- **JOKER PAYMENT**

The borrowers have the option to skip up to one payment 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.

The main problems a joker payment 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 instalments will be increased afterwards - usually the increase in afterwards instalments 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. On average, 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.

Moody's does not view this as a large threat to the deal since it can only be used once per year for a total time frame of 3 years. Taking into account the loan's seasoning, the % of borrowers able to use this option is greatly diminished. Also the fact that historically, less than 8% of clients have actually asked for this option (which can only be granted if the client is not in arrears) gives us comfort that this option shall not be too penalising for the deal.

- **CPI INSTALMENTS**

More penalising is the fact that the majority of UCI clients have the option to limit the growth in the cash amounts payable under the loan to 50% (quarterly), 100% (semi-annual) or 200% (annual), the national inflation rate. Most of the loans have the option to limit the cash flows payable to 200% the CPI rate.

We have calculated the needed increase in interest rates for debtors to actually be able to exercise this option. Current IPC level in Spain is 3.7% - a 200% cap would get us to a level of 7.40% - An increase in 60 bps in the referenced interest rates within the mortgages will already yield a total mortgage growth of over 7.40%.

This coupled with the fact that the transaction does not have a basis swap could potentially imply a shortfall in received interest within the deal.

Moody's has analysed this factor and has incorporated the adjustment into the transaction's final credit enhancement figure. However, we must note the following:

1) that with current scenarios of very low interest rates, the IPC option will not be used.
2) That due to the seasoning of the loans, only 47% of the loans still have this option in the future.

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 transaction also includes a mechanism by which if more than 15% of users would decide to use the joker payment or more than 7% would decide to use the IPC option - then the excess spread will be trapped within the structure and its further release will only be deemed possible subject to the rating agencies approval.

General Information on the Pool

General Information on the Pool

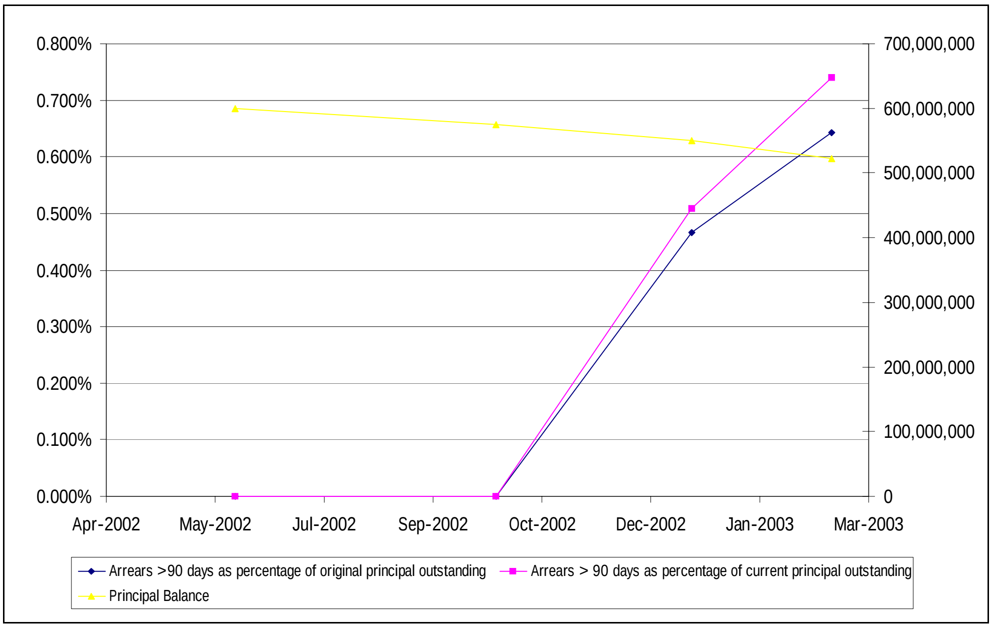
	Portfolio Characteristics
Collateral Value	2,301,837,103
Total Balance	1,347,555,532
No Loans	17,407
Concentration	Madrid (22.5%)
WALTV	64.80%
Seasoning	19 months
Average Loan Size	77,360
Highest Loan size	299,290

As Compared with Previous Transactions….

	UCI 5	UCI 6	UCI 7	UCI 8	UCI 9
Balance	265,000,000	457,000,000	455,000,000	600,000,000	1,347,555,531
Nº Loans	5,500	13,139	8,100	12,464	17,407
Avg LTV	64.60%	64.46%	64.00%	66.30%	64.80%
Concentration	Madrid (29.2%)	Madrid (27.8%)	Madrid (26.3%)	Madrid (23.9%)	Madrid (22.5%)
Seasoning	34 months	22.5 months	32 Months	24 months	19 months

Performance Data on Previous UCI 8

UCI 8



MOODY'S ANALYSIS

Moody's Rating Process Involves a Collateral, Structural and Legal Analysis

In order to analyse the risk of the transaction and to assess the size of the credit enhancement consistent with the rating assigned, Moody's adopts a three-part focus to its analysis:

- **Collateral Analysis** - 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 the Loan-by-Loan approach, Moody's calculates an enhancement level for each loan in the pool to be securitised in the following four ways:
  - Deriving a *benchmark credit enhancement numbe*r 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*.
  - Assumptions: In the Loan-by-Loan model, a benchmark credit enhancement figure is obtained by taking into account each loan's current LTV level, and by penalising or benefiting any parameter that on aggregate may shift from our benchmark loan assumption. The model takes into account the following severity of loss assumptions: (1) house price decline is 30%, (2) interest rates going up to 8%, (3) 27 months to sell a property, and (4) 7% costs associated with the sale of the property. High interest rates affect the affordability, but also increase the severity over the period in which repossession takes place. This period has been assumed to be 27 months, which is approximately twice as long as currently experienced. We also assumed the cost of the sale to be 7%.
  - *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 he overall *concentrations of certain loan characteristics* in the pool. The result of this Loan-by-Loan model is then reviewed by the rating committee along with performance data that has been provided by the originator and information available to Moody's from previously securitised pools.
- **Structural Analysis**: This considers how the cash flows generated by the mortgage collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction may provide additional protection to investors, or act as a source of risk themselves.
- **Legal Analysis:** Moody's considers whether the legal documents ensure that the cash flows are allocated to the assumptions made in its structural analysis.

For more information regarding Spanish MBS rating methodology refer to Moodys.com – "Spanish Residential Mortgage Backed Securities, An Introduction to Moody's Rating Approach".

RATING SENSITIVITIES AND MONITORING

Moody's will monitor the transaction on an ongoing basis to ensure that its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

For updated monitoring information, please contact monitor.madrid@moodys.com.

RELATED RESEARCH

For more details of Moody's approach to this type of transaction as well as similar transactions, please refer to the following reports:

All UCI NIRs

SF23249isf