Fondo de Titulización, RMBS Prado V

New Issue

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Related New Issue Appendix

Prado V Fondo de Titulización – Appendix

Related Criteria

European RMBS Rating Criteria (October 2017)
Global Structured Finance Rating Criteria (May 2017)
Structured Finance and Covered Bonds Counterparty Rating Criteria (May 2017)
Structured Finance and Covered Bonds Country Risk Rating Criteria (September 2017)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (February 2017)

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Capital Structure

Class	Ratings	Outlook	Amount (EURm)	CE[a] (%)	Interest Rate (%) (Pre Step-Up)	Interest Rate (%) (Post Step-Up)	Legal Maturity
A	AA+sf	Stable	339.0	20.8	3m Euribor + 0.38	3m Euribor + 0.76	March 2055
B	NR	n.a.	76.0	2.5	3m Euribor + 0.60	3m Euribor + 1.20	March 2055
Total			415.0				

[a] Credit enhancement (CE) consists of structural subordination plus a reserve fund
Source: Fitch

Transaction Summary

This is a cash flow securitisation of a static EUR415.0 million portfolio of Spanish residential mortgages, underwritten by Union de Créditos Inmobiliarios (UCI; the originator and servicer), a specialist lender fully owned by BNP Paribas S.A. (A+/Stable/F1) and Banco Santander, S.A. (A−/Stable/F2). This is the fifth RMBS conducted out of UCI's new Prado RMBS programme, which started in 2015; UCI conducted 18 securitisations between 1994 and 2009.

Key Rating Drivers

Criteria Variation on Broker Origination: Of the portfolio, 89% has been originated via brokers or intermediaries, which introduce applicants to UCI where a full underwriting process is conducted, including documentation checks. Fitch has increased the default rate expectation for broker-originated loans by 20%, to be substantiated with performance data presented by UCI. This constitutes a variation from the agency's criteria, which suggests a 50% incremental default rate hit for broker-originated loans.

Majority Unreleased Bridge Loans (UBLs): Of the mortgages, 55.4% are bridge loans granted to borrowers to purchase a new home, with the expectation that the first house is sold in a short time, but the borrowers have not sold the first house and so their outstanding debt balance comprises two loan parts and two houses. Fitch has accounted for the aggregate position when estimating default rates on UBLs. These loans have the highest UCI internal scores, have never been in arrears or restructured, and average more than eight years of seasoning.

Turbo Amortisation Protection: Payments to junior items in the waterfall may be diverted to amortise the class A notes if certain cumulative default triggers are met, or the relevant step-up date is reached. This feature offers protection to senior investors against a possible credit deterioration of the portfolio. Moreover, the transaction envisages a strictly sequential pay-down of the liabilities, with no pro rata mechanisms.

Interest Rate Risk Exists: The transaction is exposed to interest rate risk as nearly 21.9% of the pool pays a fixed interest rate, or a fixed rate during an initial period with a subsequent compulsory switch to floating, while the securitisation notes pay floating coupons. Fitch has accounted for this risk in its analysis and found the available credit enhancement (CE) sufficient to mitigate it.

Servicer Discontinuity Risk Removed: Fitch expects payment continuity to the rated notes to be maintained under a servicer disruption event. This is based on the transaction's structural features, which include a cash reserve that operates like a senior liquidity facility and the role of Banco Santander, S.A. as back-up servicer facilitator.

UCI Transaction Comparison Table

Issuer	Prado V	Prado IV	Prado III	UCI 17	UCI 16
Closing date	November 2017	April 2017	October 2016	May 2007	October 2006
Issuance volume (EURm)	415.0	390.0	420.0	1,415.4	1,819.8
Class A (Rating, CE[a], %)	AA+, 20.8	AA+, 24.3	NR, 26.5	AAA	AAA
Class B	NR, 2.5	NR, 2.5	NR, 2.5	A	A
Class C				BBB	BBB
Class D				CCC	BB+
Class E					CCC
Portfolio summary as of closing – key attributes[b]					
Total principal amount (EURm)	415.0	390.0	420.0	1,415.4	1,819.8
Avg. loan balance (EUR)	120,185	116,045	111,780	173,742	151,515
WA original term (years)	33.6	32.0	n.a.	n.a.	n.a.
WA seasoning (years)	7.6	4.7	5.6	0.8	0.7
WA remaining term (years)	26.0	27.3	27.2	n.a.	n.a.
Stressed WA debt to income (DTI)	49.1	35.0	n.a.	40.1	40.1
Original and current loan-to-values (OLTV and CLTV, %)[c]					
WA OLTV	69.4	79.3	75.9	72.2	74.5
WA CLTV	58.3	71.0	68.7	71.6	73.9
WA indexed CLTV	66.9	81.7	n.a.	75.0	78.5
Interest rate					
Floating rate (% portfolio balance)	78.1	53.2	73.5	100.0	100.0
Fixed/mixed (% portfolio balance)	21.9	46.8	26.5	0.0	0.0
WA interest rate (%)	1.7	2.5	2.2	4.7	4.2
WA margin over index (%)	0.9	0.8	1.5	1.5	1.5
Type of loan					
- Standard amortising	53.0	84.7	94.7	10.0	0.0
- Flexible features loans[d]	47.0	15.3	38.1	90.0	100.0
- Un-released bridge loans[e]	55.4	0.0	0.0	0.0	0.0
Geographic concentration[e]					
- Madrid	22.5	24.9	25.9	13.5	13.4
- Catalunya	23.7	22.9	18.4	15.2	13.3
- Andalucia	23.2	21.7	24.4	25.9	27.1
- Other	30.5	30.5	n.a.	n.a.	n.a.
Other features					
Spanish residents	100.0	100.0	100.0	100.0	100.0
Foreign borrowers[f]	6.7	8.5	8.4	0.0	20.0
Second homes	2.5	0.0	5.1	5.0	5.9
VPO subsidised properties	12.6	10.0	11.9	11.0	14.7
Purpose other than purchase	0.1	0.0	0.0	0.0	0.0
Instalment build-up	0.1	0.0	6.1	20.0	19.0
Current arrears status					
- Performing	100.0	100.0	100.0	100.0	100.0
- 0-1 months	0.0	0.0	0.0	0.0	0.0
Prior restructurings					
- Not restructured	96.9	91.8	100.0	100	100

[a] Credit enhancement is provided by structural subordination and a cash reserve
[b] WA figures are weighted by outstanding portfolio balance
[c] Indexed CLTV estimated based on national house price index trends
[d] Examples include: Joker instalment, CPI cap and easy instalments
[e] For unreleased bridge loans backed by properties in different regions Fitch has used the region with the highest market value decline to derive the recovery expectation
[f] Fitch classifies a loan as foreign if any of the borrowers listed on the loan is not from Spain
Source: Transaction documents, Fitch

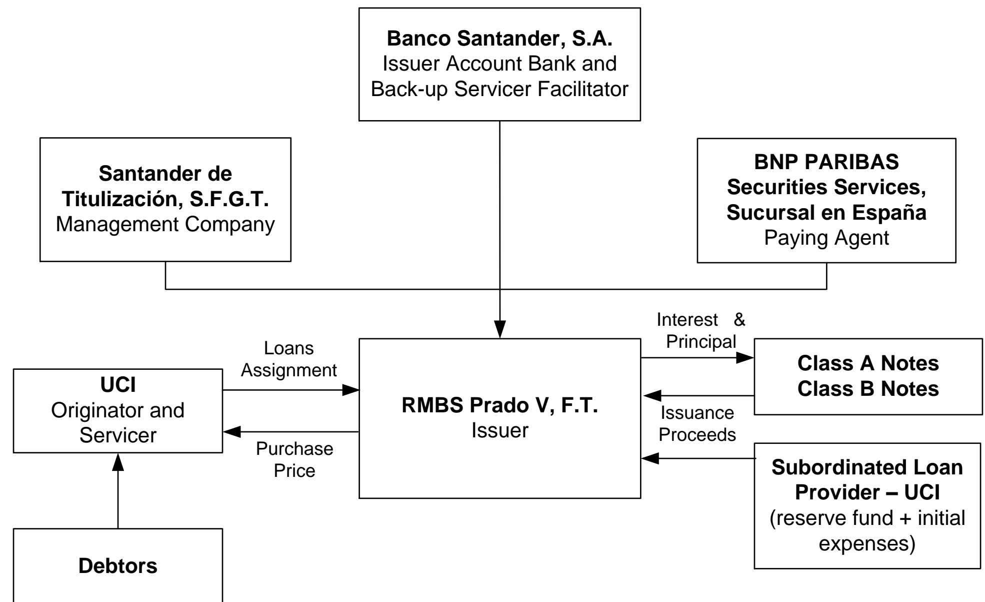
Related Research

Spanish Repossession Analysis 2017 (October 2017)

Global Housing and Mortgage Outlook – 2017 (February 2017)

Transaction and Legal Structure

Prado V Structure Diagram



Source: Fitch Transaction document

Issuer and True Sale

The notes are issued by Fondo de Titulización, RMBS Prado V (the issuer), a limited-liability special purpose vehicle (SPV) incorporated under the laws of Spain, the sole purpose of which is to acquire mortgage loans from UCI (seller) as collateral for the issuance of quarterly-paying notes. The credit rights sold to the issuer consist of interest and principal instalments due by the borrowers under the mortgage loans, together with any recoveries obtained from them (inclusive of both houses in the case of UBL).

The trustee or management company, Santander de Titulización, SGFT, which is supervised by the Comisión Nacional del Mercado de Valores (CNMV), is responsible for cash reconciliation and waterfall calculations and their reporting, including the monitoring of applicable triggers. It is also responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer or account bank counterparties.

Representations and Warranties

The seller provided the issuer with specific representations and warranties (R&Ws) concerning the seller's organisation and the asset characteristics. The related *Appendix* includes the main R&Ws that are available to investors, which were disclosed in the offering documents and that relate to the underlying asset pool. The R&Ws are substantially comparable to those typically contained in other European RMBS transactions, as described in Fitch's research Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions. Fitch made no adjustments to its analysis in relation to the R&Ws.

Permitted Variations

The servicer is authorised, at the request of a debtor, to agree on amendments to the interest rate and maturity of the loans. These modifications are subject to certain conditions. For example no further advances will be granted, margins cannot fall below a certain floor for each reference rate index (0.38% for Euribor and minus 0.25% for IRPH) and the maturity cannot be extended beyond the legal maturity of the issuer. These amendments are limited to 20% of the

initial portfolio balance. Under exceptional circumstances, the trustee may suspend or amend the authorisation and requirements for permitted variations by UCI.

Substitutions

The seller is required to substitute or repurchase all loans that do not comply with the R&Ws, or that have been modified with amendments not contemplated under the permitted variations. UCI guarantees to substitute such loans for ones with similar characteristics within 15 calendar days of being notified, subject to prior consent from the trustee. If no suitable substitute loan is found in the 15-day period, UCI should repurchase such loan, paying its outstanding principal, plus any interest accrued.

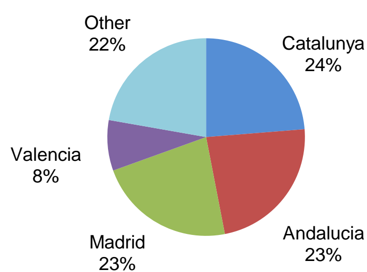
Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

Asset Analysis

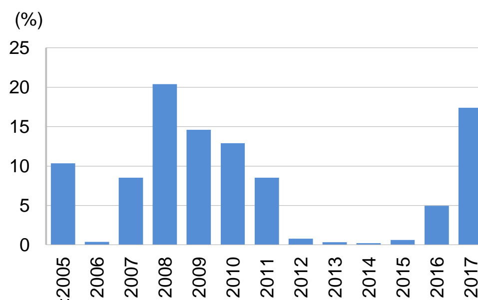
The pool comprises annuity amortising mortgages backed by residential properties in Spain, with a weighted average (WA) seasoning of 7.6 years and a WA original term to maturity of 33.6 years. The portfolio is 89% originated via brokers or intermediaries, with the remaining 11% via UCI's online platform, "Hipotecas.com". The portfolio's WA initial DTI is 49.1%, estimated based on household net income at origination, a 4.0% stressed interest rate and a margin of 1% or the margin reported, whichever is higher.

Regional Concentration



Source: UCI

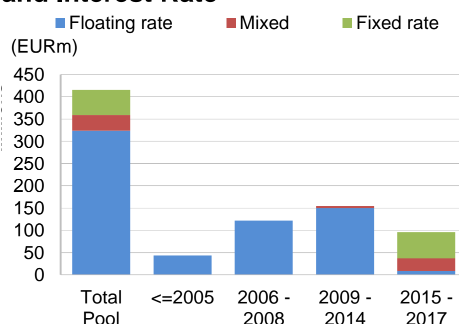
Pool Composition by Year of Origination



Source: UCI

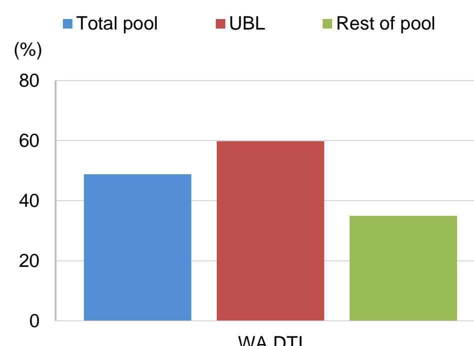
Regarding the payable interest rate, 13.6% of the portfolio will continue paying a fixed interest rate until maturity and 8.3% will pay a fixed rate that will switch to floating in nine years on average. Around 78.1% of the pool pays a floating interest rate of which the majority is linked to IRPH, an index that represents the average costs of a mortgage in Spain. IRPH rates have historically been above the 12-month Euribor rate even in rising interest rate environments, where the positive difference between IRPH and 12-month Euribor is usually at its lowest. In its cash flow modelling, Fitch gave credit to this positive difference between the reference rates.

Composition by Year of Origination and Interest Rate



Source: UCI

DTI Distribution by Type of Product

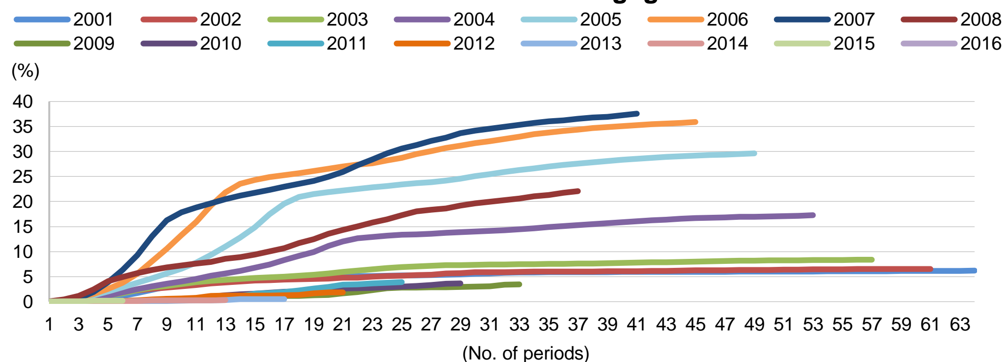


Source: Fitch

89% Broker Origination

UCI is a specialised Spanish mortgage lender that originates the majority of its business from a network of 1,000 brokers or intermediaries. While Fitch considers broker origination riskier than branch origination, the agency has reduced the foreclosure frequency (FF) adjustment to broker loans in this transaction to 20%, from 50% as per Fitch's *European RMBS Rating Criteria*. This FF adjustment is a criteria variation, substantiated by the default vintage data provided by UCI. The data demonstrates improvements in credit performance since UCI introduced enhancements to its underwriting and servicing standards post 2008 (see *Criteria Variation*).

Gross Cumulative 90d+ in Arrears for UCI's Mortgage Book



Source: UCI

55.4% Unreleased Bridge Loans (UBLs)

At closing, around 55.4% of the portfolio balance is linked to UBLs positively selected by including only those with the highest internal UCI scores, and those which have never been arrears or restructured and with eight years of seasoning.

When estimating default rate expectations for UBL, Fitch has aggregated the debt balance to include both loan parts, leading to a higher DTI than for a standard mortgage.

UBL contracts allow borrowers to cash 100% of the sale proceeds of one of their two houses, as long as the aggregate loan amortisation amount exceeds one of the mortgage liability thresholds recorded in the loan agreement. In these situations, Fitch anticipates the CLTV ratio of the loan to increase up to the OLTV level, therefore delivering higher losses in the event of default. Fitch has analysed the combined effect of these two developments (ie deleverage and higher LTV) and concluded that the benefit of loan amortisation would outweigh the LTV increase for the class A notes rating.

Fitch acknowledged in its analysis that distressed UBL positions may be offered restructuring alternatives, such as the consensual sale of one of the two houses to amortise the loan balance, triggering a substantial reduction of the remaining debt service amount. This management strategy differs from the traditional foreclosure process seen on Spanish mortgages that are secured on a single house, where distressed borrowers may face judicial repossession orders straight away.

47.0% Consumer Price Index (CPI) Cap

At closing, around 47.0% of borrowers have the option to limit the growth of their instalments under a rising interest rate scenario to a maximum of 200%, or 100% of the Consumer Price Index annual change. This exposure rapidly decreases as all loans will lose this feature by 2025. Based on data presented by UCI, this feature (called an instalment growth cap) is used very infrequency and its activation requires the formal request of the borrower in most cases. While this may result in a slower amortisation for these loans, Fitch has not increased the FF of these borrowers, given the extremely rare use of the feature, the limited impact on the amortisation and the temporary nature of the feature.

Foreign Borrowers

Around 6.7%[1] of the loans in the pool were granted to non-Spanish borrowers. Fitch increases the FF for these loans by 350% as per its rating criteria. All borrowers are residents in Spain.

VPO Loans

Approximately 12.6% of the loans were granted under a Vivienda de Protección Oficial (VPO) programme, which is a government-regulated platform offering specific economic and tax benefits to facilitate housing affordability. VPO properties are linked to a number of legal obligations and restrictions on property rights, although VPO does not preclude the foreclosure of a mortgage-related property. The mortgages do not have any judicial restrictions. In its analysis, Fitch used the specific VPO property value index from the *Ministerio de Fomento* for indexation purposes. As none of the VPO loans in the pool benefit from any subsidy, no further adjustment to their FF has been made.

Portfolio Credit Analysis

Fitch analysed the portfolio using its ResiEMEA Spain Model, which implements the agency's criteria for granular Spanish RMBS on a loan-by-loan basis. The model produces WA foreclosure frequency (WAFF) and WA recovery rates (WARR) for the portfolio, as presented in the table below.

Fitch Default Model Output

Rating level (%)	WAFF[a]	WARR[b]	Loss rate
Bsf	7.6	75.8	1.8
AA+sf	24.7	58.1	10.3

[a] This represents the lifetime default rate on the portfolio, relative to its initial balance
[b] Weighted average recovery rate on defaulted loans
Source: Fitch

Lender Adjustment

Fitch believes the origination, underwriting and servicing practices and procedures applicable to the portfolio have improved significantly compared to those applied by UCI before the financial crisis. No lender adjustment has been incorporated within the agency's analysis. An on-site operational review with the originator was carried out for the purpose of this analysis, which complemented the knowledge already gained by Fitch from its rating of six previous RMBS transactions from UCI (see *Appendix I: Origination and Servicing Standards*).

[1] Fitch classifies a loan as foreign if any of the borrowers listed on the loan is not from Spain.

Financial Structure and Cash Flow Modelling

Fitch analysed the structure using a proprietary cash flow model. The timing of defaults, the level of prepayments and the interest rates under different rating stresses were tested in the cash flow model to determine if there would be sufficient cash flow to pay interest and principal according to the terms of the notes.

Credit Enhancement (CE)

At closing, the class A notes will have a 20.8% CE provided by structural subordination and the reserve fund. The analysis showed that the CE levels provided for the senior tranche would be sufficient to withstand the credit stresses determined by the agency for the rating.

Priority of Payments

This transaction is structured with a combined priority of payments that governs how the issuer's available funds are allocated on each quarterly payment date. The issuer's available funds will be applied in the order shown below.

Simplified Pre-Enforcement Combined Priority of Payments

1	Ordinary and extraordinary expenses
2	Class A interest
3	Reserve fund top-up to target balance
4	Class A principal by the target amortisation amount (If no turbo event has taken place)
5	Class B interest
6	Class B principal, only after class A being fully repaid
7	Subordinated items

Source: Fitch

Excess spread will be available to provision for defaults, defined as receivables over 12 months in arrears. This is implied by the definition of the principal due amount on the notes, which is equal to the outstanding balance of the notes, minus the aggregated outstanding principal of all non-defaulted receivables.

Class A Turbo Amortisation Event (Turbo Event)

If the balance of cumulative defaults exceeds 1%, 2%, 3%, 4% and 5% of the initial portfolio balance during the first five years of the transaction, respectively, all available funds, after paying the first three items of the priority of payments, will be diverted to amortise the class A notes. This turbo amortisation of the class A notes will also take place from the step-up date of March 2023, irrespective of the cumulative defaults trigger.

Reserve Fund (RF)

The RF will be established at closing for the purpose of providing liquidity to cover class A interest for as long as these notes remain outstanding, to amortise class A principal on its last payment date, and to cover junior items after full redemption of the class A. The RF will be pre-funded by a subordinated loan provided by UCI for an amount that represents 2.5% of the class A and B notes' initial balance. On each quarterly payment date, the RF required amount will be the higher of 2.5% of the outstanding balance of the pool, or 1.0% of the class A and B notes' initial balance.

Interest Rate Risk

The transaction is exposed to interest rate risk as nearly 21.9% of the pool pays a fixed interest rate, or a fixed rate with a subsequent compulsory switch to floating, while the securitisation notes pay floating coupons.

Fitch tested for this risk by running different interest rates stress scenarios on its proprietary cash flow model and found the level of CE available for the class A notes to be sufficient to cover for it.

Prepayment Risk

Fitch tests the transaction's sensitivity to high and low prepayment scenarios. The structure is particularly sensitive to low prepayment scenarios, as the slower note amortisation increases the impact of negative carry, especially after the margin step-up date on the notes.

Counterparty Risk

Key Transaction Parties

Issuer	FT Prado V	Not Rated
Originator/seller/servicer	Unión de Créditos Inmobiliarios (UCI)	Not Rated
Collection account bank/back-up servicer facilitator/SPV account bank/ /GIC provider	Banco Santander, S.A. (Santander)	A−/Stable/F2
Management company	Santander de Titulización, S.G.F.T., S.A.	Not Rated
Joint arrangers and lead managers	BNP Paribas; Banco Santander S.A.	
Paying agent	BNP Paribas, Securities Services	Not Rated

Source: Transaction documents and Fitch

Originator and Servicer

Fitch conducted an operational review of the originator and servicer to assess, among other things, its business strategy and servicing capabilities; see *Appendix I* for details.

Payment Interruption Risk

The structure provides mitigants against servicer disruption events that can affect the cash collection process. The RF operates like a liquidity facility, and its size is considered sufficient to cover for the transaction's senior expenses and class A interest payments during the servicer replacement period. The RF cannot be used to cover principal deficiencies, unless there is any excess over its target amount, and then only at the earlier of the full amortisation of the class A, or the final legal maturity of the fund, when all monies are released. In addition, the transaction operates a combined waterfall of payments and therefore available funds comprise principal collections.

Commingling Risk

Commingling losses can take place upon a collection account bank default, as cash collections from the borrowers are clustered on two specific days of every month (and swept to the SPV account bank the next business day after collection). Fitch has sized for one month of commingling losses in its cash flow modelling.

Account Bank

Banco Santander will act as account bank provider, holding the RF and the collections from the assets until transferring to BNP Paribas, Securities Services which acts as paying agent; the transfer takes place one business day before each quarterly payment date). Fitch considers the structure adequately addresses account bank counterparty risk by incorporating eligibility rating thresholds that would trigger remedial actions within 30 days, if the account bank or paying agent were downgraded below 'F1' or 'A−'. Remedial actions upon downgrade are: replacement with an eligible account bank, or eligible guarantor.

The rating of the class A notes is capped at 'AA+sf' under Fitch's *Structured Finance and Covered Bonds Counterparty Rating Criteria*, due to the account bank replacement trigger being set at 'A−' or 'F1', which is insufficient to support a 'AAAsf' notes rating.

No Deposit Set-Off

Fitch views the likelihood of structured finance investors incurring losses as a result of set-off on domestic deposits insured by obligors as highly remote; this is based primarily on the high level of political support for protecting such deposits (see *Deposit Set-Off for EU Structured Finance and Covered Bonds*). Fitch has not applied additional stresses to account for this risk. UCI is not a deposit-taking institution.

Rating Sensitivity[2]

The table below shows the model-implied ratings on stressed defaults and recovery rates.

Rating Sensitivity to Defaults and Recovery Rates

	Class A
Original Rating	AA+sf
Increase WAFF and decrease WARR by 15%	AA−sf
Increase WAFF and decrease WARR by 30%	A+sf

Source: Fitch

Criteria Application, Model and Data Adequacy

Fitch analysed the risk of borrower default using its RMBS asset model and criteria (see *European RMBS Rating Criteria*). Fitch also used its proprietary cash flow model to complete the rating analysis and simulate the transaction cash flows and capital structure (see *Related Criteria*).

Fitch received loan-by-loan information for nearly all the fields under the agency's RMBS data template, and also a preliminary agreed-upon-procedures (AUP) report from the pool as of October 2017, prepared by an international audit firm. In Fitch's view, the overall level of available data was very good and supports the rating analysis, complemented with a satisfactory on-site operational review of the servicer. Fitch considers the originator's underwriting and servicing procedures to be adequate.

Criteria Variation

Treatment for Broker-Originated Loans

Fitch has reduced the FF hit assumption to 20% from 50% for broker-originated loans. This criteria variation is supported by the overhaul of the underwriting and servicing strategies, implemented by UCI after the financial crisis, and the performance data provided. Both point towards better performance when compared to traditional broker origination in Spain. A model-implied rating impact of three notches is linked to this variation.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events, with a review conducted at least yearly. Performance reports will be provided by the trustee on a quarterly basis. Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base case assumptions. Fitch's structured finance performance analytics team will ensure that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance will be available to subscribers at www.fitchratings.com.

[2] These sensitivities describe the model-implied impact of a change in multiple input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance.

Appendix I: Origination and Servicing Standards

Fitch met with UCI in Madrid to determine the firm's corporate strategy, and its underwriting, servicing and recovery strategies and IT platforms. Fitch views UCI's origination and servicing practices as robust and reliable.

Origination Overview

UCI originates residential mortgages through a network of about 1,000 real estate professionals and intermediaries, or brokers. UCI is the market leader in mortgage loans originated via brokers or intermediaries, which bring applicants via one of UCI's 23 branches located throughout Spain. UCI's lending volumes increased by 56% year on year (yoy) in Spain in 2017, with brokers or intermediaries contributing approximately 76% of the new business and the remaining 24% channelled via UCI's online platform.

After 2008, UCI carried out a complete overhaul of its underwriting and practices, resulting in lower origination volumes and more stable credit performance. Since then, all borrower documentation has been collected and validated by UCI, which also maintains direct contact with the applicant during the decision making process.

The early arrears management department monitors brokers or intermediaries for fraud, and also monitors arrears performance. A significant deterioration in the performance of mortgages originated by a broker can lead to the termination of the relationship between UCI and the broker.

Underwriting Process

- Step 1 – basic information from the borrower is collected.
- Step 2 – UCI contacts the applicant and verifies all the information submitted in step 1.
- Step 3 – UCI calculates the borrower's score (using its own scoring system).
  - DTI – estimated with household income after taxes. No credit is given for variable income. All current debt is considered, using a stressed interest rate floor of 3%. UCI has a hard DTI limit of 40% for all new originations.
  - OLTV or downpayment – UCI bases its underwriting on the downpayment made by the borrower. The minimum payment required depends on the borrower characteristics.
- Step 4 – employment history is analysed.
- Step 5 – UCI makes a final decision on the loan application.

Originator Analysis

Strengths	Weaknesses
• Experience in securitisations: UCI has closed 21 transactions in the past 23 years (including four under the Prado programme), and has placed over EUR13bn in RMBS transactions in the market. It has wide experience in servicing securitised mortgages.	• Past UCI securitisations, excluding the Prado series, had extremely weak performance. The previous transactions rated by Fitch have underperformed substantially, leading to Fitch considering them non-conforming
• After 2008, UCI tightened its underwriting guidelines. It stopped working with brokers or intermediaries that had bad performance history, which led to a reduction in the number of brokers or intermediaries to about 1,000 from 12,000 in 2007.	• The volatile credit performance of previous securitisations, excluding the Prado series, is mainly explained by the weaker underwriting standards and borrower profile and the economic crisis in Spain.
• Experienced in making repossessions and selling properties.	• In the past, interaction with mortgage borrowers was mainly conducted online and via telephone, which are non-traditional communication channels compared to the retail banks, which mainly operate via physical bank branches. Since 2009, all borrowers have been met by a commercial agent from UCI.

Source: Fitch

Servicing Overview

Loans originated by UCI are serviced by a team of around 150 professionals, with significant market experience. UCI has a strong recovery team, and all actions are made on a case-by-case basis, depending on the individual circumstances of the borrowers and prioritising an amicable solution, while preparing in parallel the judicial approach taken when all other measures have failed.

Servicing

Phase	Description
• Prevention department (less than one missed monthly payment).	• Contact distressed borrowers. The borrower is offered a wide range of solutions, tailored to their circumstances.
• Centralised recovery (between one and three missed monthly payments).	• Phone contact with borrower to recover unpaid amounts. Solutions are still offered to the client.
• Personal recovery (more than three missed monthly payments).	• Face-to-face contact with the borrower at their home to assess the situation. Solutions are still offered to the client.
• Judicial recovery (more than seven missed monthly payments).	• If, despite all efforts, an amicable solution is not achieved, the judicial process commences.

Source: Fitch

Typical Debt Solution Plans

- Modifications to the terms of the loan, either temporarily or indefinitely, to maintain payment flows from the borrower; examples include maturity extensions, instalment reductions, or interest rate reductions.
- A property sales mandate, in which UCI helps the borrower sell the property according to the price indicated by the borrower (checked internally by a UCI appraisal team). Sale proceeds are used to repay the outstanding debt. For unreleased bridge loans, the sales mandate may be issued for just one of the properties backing the loan.
- Payment in kind, whereby UCI takes the property as payment of the debt (if the debt is not fully amortised then a restructuring of the remaining balance could take place).

Management and Sale of REOs

Real estate repossessions are managed by UCI within a specialised department, linked to a national network of more than 1,200 real estate agencies. The objective remains the sale of the repossessed property, but rentals are also considered.

Appendix II: Transaction Overview

Fondo de Titulización, RMBS Prado V — Prime RMBS/Spain

Capital Structure

Class	Ratings	Rating Outlook	Size (%)	Size (EURm)	CE[a] (%)	PMT freq.	Reference index	Note margin (%) (post step-up)	Step-up date	Legal maturity	TT[b] (%)	TTLM[c](x)
Class A	AA+sf	Stable	81.6	339.0	20.8	Quarterly	3m Euribor	0.76	Mar 23	Mar 55	81.6	10.7
Class B	NR	n.a.	18.3	76.0	2.5	Quarterly	3m Euribor	1.20	Mar 23	Mar 55	18.2	2.4
Total				415.0								

Cash reserve	**Initial**	EUR10.4m	**Credit enhancement**	
	Floor	EUR4.1m	**Overcollateralisation**	Yes
Scheduled revolving period	None-static		**Cash reserve**	Yes
			Excess spread	Yes
			Swap	No

[a] CE consists of structural subordination plus a reserve fund
[b] Tranche thickness percentage – ratio of class size to closing portfolio balance
[c] The tranche thickness loss multiple (TTLM) is calculated by dividing the tranche thickness (TT) by Fitch's base-case WAFF
Source: Fitch

Key Information

Details		Parties	
Closing date	16 November 2017	**Originator**	UCI (Not Rated)
Country of assets and type	Spain/residential mortgages	**Seller**	As above
Country of SPV	Spain	**Servicer**	As above
Analyst	Ricardo Garcia	**Issuer**	Prado V Fondo de Titulización RMBS
	Alberto Faraco	**Collection account bank**	Banco Santander (A−/Stable/F2)
		SPV account bank	As above
Performance analyst	Ricardo Garcia	**Management company**	Santander de Titulización SGFT, S.A.
		Paying Agent	BNP Paribas Securities Services (A+/Stable/F1)

Source: Fitch

Key Rating Drivers

Criteria Variation on Broker Origination: Of the portfolio, 89% has been originated via brokers or intermediaries, which introduce applicants to UCI where a full underwriting process is conducted, including documentation checks. Fitch has increased the default rate expectation for broker-originated loans by 20%, to be substantiated with performance data presented by UCI. This constitutes a variation from the agency's criteria, which suggests a 50% incremental default rate hit for broker-originated loans.

Majority Unreleased Bridge Loans (UBLs): Of the mortgages, 55.4% are bridge loans granted to borrowers to purchase a new home, with the expectation that the first house is sold in a short time, but the borrowers have not sold the first house and so their outstanding debt balance comprises two loan parts and two houses. Fitch has accounted for the aggregate position when estimating default rates on UBLs. These loans have the highest UCI internal scores, have never been in arrears or restructured, and average more than eight years of seasoning.

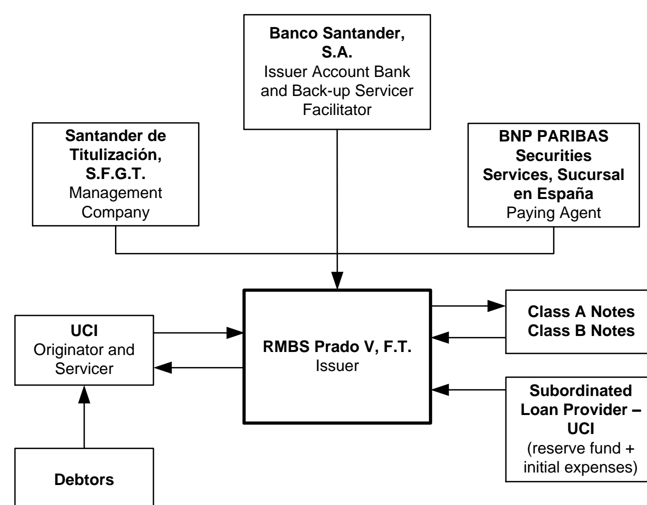
Turbo Amortisation Protection: Payments to junior items in the waterfall may be diverted to amortise the class A notes if certain cumulative default triggers are met, or the relevant step-up date is reached. This feature offers protection to senior investors against a possible credit deterioration of the portfolio. Moreover, the transaction envisages a strictly sequential pay-down of the liabilities, with no pro rata mechanisms.

Interest Rate Risk Exists: The transaction is exposed to interest rate risk as nearly 21.9% of the pool pays a fixed interest rate, or a fixed rate during an initial period with a subsequent compulsory switch to floating, while the securitisation notes pay floating coupons. Fitch has accounted for this risk in its analysis and found the available CE sufficient to mitigate it.

Servicer Discontinuity Risk Removed: Fitch expects payment continuity to the rated notes to be maintained under a servicer disruption event. This is based on the transaction's structural features, which include a cash reserve that operates like a senior liquidity facility and the role of Banco Santander, S.A. as back-up servicer facilitator.

Source: Fitch

Simplified Structure Diagram



Source: Fitch, Transaction documents

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