

FonCaixa Hipotecario 3, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

Spain

CLOSING DATE:

July 16th, 2001

AUTHORS:**Spain**

Sandie A. Fernandez
Associate Analyst
(34-91) 702-6607
*Sandie.Fernandez@
moody's.com*

Juan Pablo Soriano
Managing Director
(34-91) 310-1454
*JuanPablo.Soriano@
moody's.com*

CONTACTS:**London**

Detlef Scholz
Managing Director
(44-20) 7772-5398
Detlef.Scholz@moody's.com

New York

Vernessa Poole
All Asset Backed and
Residential Mortgage
Backed Securities
(212) 553-4796
Vernessa.Poole@moody's.com

WEBSITE:

www.moody's.com

TRANSACTION IN BRIEF

	Senior Series A	Subordinated Series B
Rating:	Aaa	A2
Amount:	€ 1,432,500,000	€ 67,500,000
Coupon:	3 month Euribor + 15 bp	3 month Euribor + 40 bp
Payment Dates:	January 25 th , April 25 th , July 25 th , October 25 th	
Final Maturity:	2031	
Issuer:	FonCaixa Hipotecario 3, Fondo de Titulización Hipotecaria	
Originators/ Administrators:	La Caixa (Aa3/P1)	
Management company (Gestora):	GestiCaixa, SGFTH, S.A.	
Depository/ Paying Agent:	La Caixa (Aa3/P1)	
Swap Counterparty	La Caixa (Aa3/P1)	
Collateral Characteristics		
Type:	Mortgage shares (Participaciones Hipotecarias: PHs)	
Coupon:	Underlying mortgage rate	
Count:	28180	
Total Amount (Approx.):	€1,500 Mill	
Provisional Pool of Underlying Mortgage Loans		
Type:	Primary residential mortgage loans	
WALTV:	61.30%	
WAC (Current):	6.00%	
Interest Basis:	Variable	
Indices:	EURIBOR, MIBOR, IRPH	
Orig. Loan Purpose:	Purchase, Construction and Renovation	
Geog. Concentrations:	Cataluña (44.00%), Madrid (23.66%)	
Structure:	Senior/Mezzanine/Reserve Fund	
Credit Enhancement:	4.5% B Bond, 1.65% RF (step up to 2%), Spread	
Issue Date:	July 16 th , 2001	



RATING OPINION

Moody's has assigned a **Aaa** rating to the Series A Bonos and a **A2** rating to the series B Bonos de Titulizacion Hipotecaria (BTH's mortgage securitisation bonds) issued by FonCaixa Hipotecario 3.

These ratings 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 Reserve Fund and any excess spread available to cover losses;
- The work of the Gestora GestiCaixa, SGFTH, S.A. 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 2031.

RATING SUMMARY

Collateral

La Caixa Securitizes a New Product — Hipoteca Abierta

One noticeable feature in this deal is the particular product, which is being securitized: The Hipoteca Abierta. This product consists on a revolving Line of Credit by which the debtor will be allowed to redraw on the line for an amount equal to the amortized principal or for any non used amount. The redraws can be made as many times as the revolving period allows for. Only the first drawing of this line of credit is securitized.

Several products of this type have been seen within the Spanish market during the last years. Products of this type attract borrowers since it gives them a degree of flexibility that they would not be able to achieve with standard mortgage products. From a credit perspective, there are certain characteristics that these types of loans have that have been very carefully analyzed — (1) the maximum limit that the borrower can borrow up to, (2) the possibility to enjoy what is called "a periodo de carencia de principal" that is a period of time where principal payment is not required to be paid (principal is capitalized and repaid during the remaining life of the deal) and (3) the lending procedures when allowing for the disposal of the successive drawings.

The underlying pool of loans backing the certificates is of very good quality. This pool of loans has average LTV levels of 61.30%, and a strong geographical diversification with natural bias towards the region of Cataluña (44.00%) and Madrid (23.66%). The pool also benefits from La Caixa's solid credit fundamentals including its ample liquidity, low risk profile and strong economic capital.

STRUCTURE SUMMARY

The (BTHs) are issued by a mortgage securitisation fund (fondo de titulización hipotecaria) which was created and is managed by Gesticaixa, SGFTH, S.A., 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 possess 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 La Caixa (**Aa3/P1**) which will continue to service the loans and will substitute or repurchase any PH that is found to be backed by a loan that fails to meet various criteria.

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, which is the difference between the note rate paid to the bondholders (Peseta EURIBOR plus 15 bp on the series A Bonos, and Peseta EURIBOR plus 40 bp on the series B Bonos) and the payment received from the swap counterparty. La Caixa (**Aa3**), as provider of the swap, receives the rate on the PHs less 65bp and pays the Fondo the note rate on the balance of the bonds.

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 the reserve fund 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% of the initial PH balance or 4.00% of the outstanding principal balance of the PHs.

The initial Reserve Fund of 1.65% of the initial PH balance will be fully funded at closing, but increasing to 2.00% by the end of the first year. The cash reserve will build up to the maximum level as quickly as the available excess spread allows.

During the first year all the excess spread will be available to build-up the cash reserve and/or cover losses.

After the first year, La Caixa will guarantee via de swap 65 bps excess spread (on the performing assets).

- The third layer of protection is the *Series B bonos* which initially amount to 4.5% of the PH original balance. Amortisation of the Series B Bonos will take place when the Series A Bonds are fully amortized.

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 La Caixa (**Aa3/P1**) is capable of fulfilling its servicing obligations in the transaction.

Management Company (Gestora)

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

The obligations of GestiCaixa S.G.F.T.H., S.A. within the structure are backed by its shareholders.

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