

# FonCaixa Hipotecario 4, Fondo de Titulización Hipotecaria, Bonos de Titulización Hipotecaria

Spain

**CLOSING DATE:**

December 14th, 2001

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**TRANSACTION IN BRIEF**

|                                  | Senior Series A   | Subordinated Series B   |
|----------------------------------|---|-------------------------|
| Rating:                          | <b>Aaa</b>  | <b>A2</b>               |
| Amount:                          | € 583.200.000   | € 16.800.000            |
| Coupon:                          | 3 month Euribor + 15 bp                                   | 3 month Euribor + 40 bp |
| Payment Dates:                   | March 15th, June 15th, September 15th, and December 15th  |                         |
| Final Maturity:                  | December 15th, 2031                                       |                         |
| Issuer:                          | FonCaixa Hipotecario 4, Fondo de Titulizacion Hipotecaria |                         |
| Originators/<br>Administrators:  | La Caixa ( <b>Aa3/P1</b> )                                |                         |
| Management<br>company (Gestora): | GestiCaixa, SGFTH, S.A.                                   |                         |
| Depository/<br>Paying Agent:     | La Caixa ( <b>Aa3/P1</b> )                                |                         |
| Swap Counterparty:               | La Caixa ( <b>Aa3/P1</b> )                                |                         |

**Collateral Characteristics**

|                         |   |
|-------------------------|---|
| Type:                   | Mortgage shares (Participaciones Hipotecarias: PHs) |
| Coupon:                 | Underlying mortgage rate                            |
| Count:                  | 11824   |
| Total Amount (Approx.): | € 733.6 Mill  |

**Provisional Pool of Underlying Mortgage Loans**

|                       |  |
|-----------------------|--|
| Type:                 | Primary residential mortgage loans         |
| WALTV:                | 60.34%                                     |
| WAC (Current):        | 5.96%                                      |
| Interest Basis:       | Variable                                   |
| Indices:              | EURIBOR, MIBOR, IRPH                       |
| Orig. Loan Purpose:   | Purchase, Construction and Renovation      |
| Geog. Concentrations: | Cataluña (28.86%), Madrid (33.50%)         |
| Structure:            | Senior / Mezzanine / Reserve Fund          |
| Credit Enhancement:   | Senior Tranche / Subordinated Tranche / RF |
| Issue Date:           | December 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 4.

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 December 15th 2031.

## **ORIGINATOR**

La Caixa is the originator of this deal. La Caixa is rated **Aa3/P1** by us. La Caixa's **Aa3/P1** deposit ratings and **B** financial strength reflect its solid credit fundamentals, including ample liquidity, low risk profile, and strong economic capital. Its retail franchise is centered mainly in Cataluña.

La Caixa is the leading savings bank in Cataluña (holding 40% of its customer funds).

## **RATING SUMMARY**

### **Collateral**

#### ***LA CAIXA SECURITIZES A COMBINATION OF 2 PRODUCTS: CREDITO ABIERTO (52.75%) & TRADITIONAL MORTGAGE LOANS (47.25%)***

In La Caixa's this year previous securitization - Foncaixa 3 - La Caixa securitized a new product - 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.

In addition, in this transaction, we are seeing the securitisation of traditional mortgage loans. Traditional Mortgage Loans are those loans whose characteristics don't differ from those characteristics of the standard benchmark Spanish loans - that is loans whose LTV do not surpass the 80% LTV limit, with an average loan size, and most importantly loans who do not offer any type of flexibility in terms of payments, redraws, etc.

The underlying pool of loans backing the certificates is of very good quality. This pool of loans has average LTV levels of 60.22%, and a strong geographical diversification with a surprisingly strong concentration in Madrid (33.59%) and Cataluña (28.69%). The pool also benefits from La Caixa's solid credit fundamentals including its ample liquidity, low risk profile and strong economic capital.

**THE HIPOTECA ABIERTA HAS SOME PARTICULAR CHARACTERISTICS AS WELL AS THE POSSIBILITY TO GRANT A PRINCIPAL GRACE PERIOD**

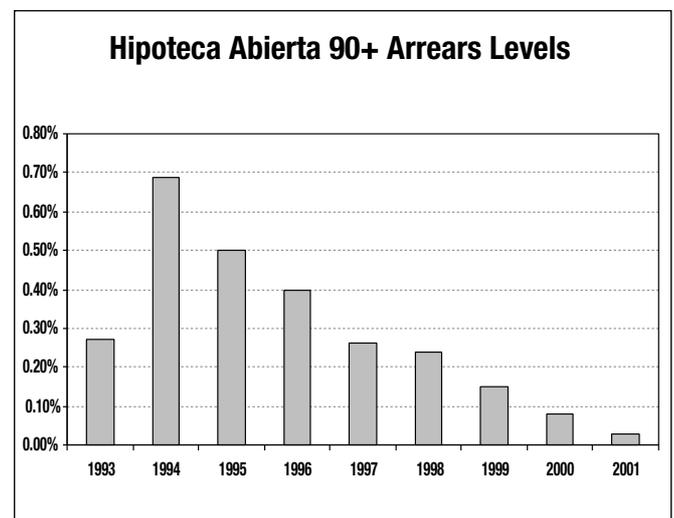
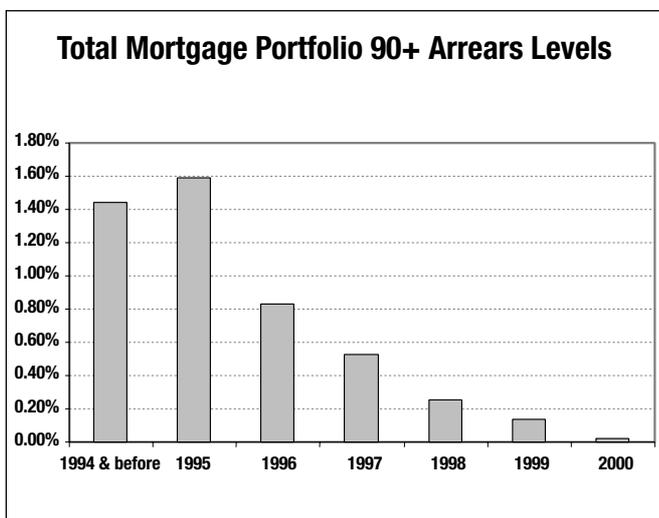
As stated above - The Hipoteca Abierta is a revolving Line of Credit by which the debtor will be allowed to redraw on the line for an amount equal to the amortized principal or for any non used amount. There are certain additional characteristics that are worth mentioning regarding this product.

- Each additional redraw on the Line of Credit will be treated as an independent loan, yet all the different loans will have a pari passu treatment among them.
- Each client will receive just one monthly installment - although each different redraw will be stated separately.
- The first redraw cannot exceed an 80% LTV limit, additional redraws are capped at 60/70% LTV levels. In any case, the combination of both first and second drawdowns on the line of credit will never exceed the 80% LTV limit.
- The disposal of second drawdowns is never automatic - La Caixa has full discretion (based on the borrower's payment history, loan purpose, etc.) as to whether a second drawdown is feasible or not.
- Another peculiar characteristic that the Hipoteca Abierta product offers is that borrowers can request a grace payment period - each borrower has the option to request for a maximum of 24 months grace period, where interest must be paid, but not principal. Once again, La Caixa has full decision control as to whether or not, these grace periods are granted.

**HOW HAVE THESE PRODUCTS BEHAVED IN THE PAST?**

La Caixa has provided static information on arrears levels within their portfolio and in particular over the securitised product. In general, arrears<sup>1</sup> levels seem to be very low - as can be seen from the table below, the highest level of arrears for La Caixa's overall mortgage portfolio was 1.59% in 1995 - figure calculated as a % of the total managed loans during that year.

As we look into the product that is being securitised - the HIPOTECA ABIERTA - arrears levels seem to be even lower. Worst figures reach an all time high of 0.69% in 1994 - It is interesting to note as well, that the last economic recession in Spain occurred during 1992-1994 - therefore, these arrears are very low if we take into account the economic conditions at the time.



<sup>1</sup> Arrears defined as 90+ arrears

## RATING APPROACH

### 2 Issues To Account For:

Because of the particular nature of the product being securitised, there are two characteristics that we need to account for:

#### 1. DRAWDOWNS

**(only the Hipoteca Abierta will have this option - that is 52.75% of the pool)**

Out of those clients who have this option - we have assumed that those who have drawn on the LOC for a small amount will undoubtedly withdraw in the future for larger amounts. This assumption gives us comfort in the sense that we are not using a fictitious low LTV level but rather an LTV that would be more in line with the expectations.

According to statistics provided to us by La Caixa - not more than 30% of debtors actually withdraw from their LOC during the life of the deal - the majority will only exercise this option once and on average will only draw up to a level of 10-12% of the outstanding balance -

#### 2. GRACE PERIODS

Grace periods do not really offer a very great concern in this deal since only principal payments are allowed to be missed for a total time of 24 months - and never during the last 2 years of the deals life - In addition, grace periods are not an automatic process and need to be authorized by La Caixa.

### AS COMPARED WITH PREVIOUS FONCAIXA TRANSACTIONS

La Caixa has been a very active player within the Spanish Market since 1999. The first transactions to be launched included traditional mortgage products - yet this year has seen the introduction of flexible products as well. Foncaixa 4 is a combination of both - As compared with previous Foncaixa deals - Foncaixa 4 is definitely in line with the previous 2 issuances - Foncaixa 3 and Foncaixa 2 - in terms of LTV levels, geographical concentrations, product type, etc.

|                     | FONCAIXA 1            | FONCAIXA 2            | FONCAIXA 3            | FONCAIXA 4                                      |
|---------------------|-----------------------|-----------------------|-----------------------|---|
| <b>CLOSING</b>      | Jul-99                | Feb-01                | Jul-01                | <b>4Q 2001</b>                                  |
| <b>LTV</b>          | 46.14%                | 60.32%                | 61.30%                | <b>60.22%</b>                                   |
| <b>GEOG</b>         | Cataluña (37.39%)     | Cataluña (30.82%)     | Cataluña (44.00%)     | <b>Madrid (33.59%)</b>                          |
| <b>GEOG</b>         | Madrid (18.24%)       | Madrid (29.86%)       | Madrid (23.66%)       | <b>Cataluña (28.69%)</b>                        |
| <b>B BOND</b>       | 2.45%                 | 3.25%                 | 4.50%                 | <b>2.80%</b>                                    |
| <b>RF</b>           | 1.50%                 | 1.65%                 | 1.65% (step up to 2%) | <b>1.70%</b>                                    |
| <b>swap</b>         | swap                  | swap                  | swap                  | <b>swap</b>                                     |
| <b>product type</b> | traditional mortgages | traditional mortgages | HIPOTECA ABIERTA      | <b>traditional mortgages + HIPOTECA ABIERTA</b> |

### 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 (EU residents are exempt from this 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 (EURIBOR plus 0.15% on the series A Bonos, and EURIBOR plus 0.40% 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 0.65% 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: 1.7% of the initial PH balance + 50% of the outstanding balance of any loan 90+ in arrears or 3% of the outstanding principal balance of the PHs + 50% of the outstanding balance of any loan 90+ in arrears.

The initial Reserve Fund of 1.70% of the initial PH balance will be fully funded at closing.

- The third layer of protection is the **Series B bonos** which initially amount to 2.80% 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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