



Global Credit Research - 08 Apr 2011

Madrid, April 08, 2011 -- Moody's Investors Service announced today that it has downgraded the rating of all notes issued by RURAL Hipotecario IX. A detailed list of the rating actions is provided at the end of this press release.

The ratings of all rated notes were placed on review for possible downgrade in November 2009 due to the worse than expected performance of the collateral.

#### RATINGS RATIONALE

Today's rating action concludes the review and takes into consideration the worse-than-expected performance of the collateral. It also reflects Moody's negative sector outlook for Spanish RMBS and the weakening of the macro-economic environment in Spain, including high unemployment rates.

The ratings of the notes take into account the credit quality of the underlying mortgage loan pools, from which Moody's determined the MILAN Aaa Credit Enhancement (MILAN Aaa CE) and the lifetime losses (expected loss), as well as the transaction structure and any legal considerations as assessed in Moody's cash flow analysis. The expected loss and the Milan Aaa CE are the two key parameters used by Moody's to calibrate its loss distribution curve, used in the cash flow model to rate European RMBS transactions.

#### Portfolio Expected Loss:

Moody's has reassessed its lifetime loss expectation taking into account the collateral performance to date, as well as the current macroeconomic environment in Spain. In February 2011, cumulative write-offs rose to 1.42% of the original pool balance. The share of 90+ day arrears stood at 4.02% of current pool balance. Moody's expects the portfolio credit performance to be under stress, as Spanish unemployment remains elevated. The rating agency believes that the anticipated tightening of Spanish fiscal policies is likely to weigh on the recovery in the Spanish labour market and constrain future Spanish households' finances. Moody's also has concerns over the timing and degree of future recoveries in a weaker Spanish housing market. On the basis of Moody's negative sector outlook for Spanish RMBS, the rating agency has updated the portfolio expected loss assumption to 2.20% of original pool balance, up from 0.59%.

#### MILAN Aaa CE:

Moody's has assessed the loan-by-loan information to determine the MILAN Aaa CE. Moody's has increased its MILAN Aaa CE assumptions to 10.0%, up from 4.75% at closing. The increase in the MILAN Aaa CE reflects the exposure to non-Spanish nationals and the concentration in coastal areas. In addition, 14% of the portfolio correspond to second homes. Moody's believes that loans backed by vacation homes or not owner occupied are riskier than loans taken for the acquisition of primary residence. In addition, 18% of the portfolio correspond to self-employed. As of the last payment date the credit enhancement under the Class A notes (including subordination and reserve fund) was equal to 7.80%.

#### Operational Risk:

The transaction is serviced by 26 cooperative saving banks, of which two are rated by Moody's (Caja Rural de Granada Baa1/P-2 and Caja Rural de Navarra A3/P-2 representing approximately 16% of the portfolio balance). Moody's notes that operational risk in these transactions is mitigated as Banco Cooperativo Español (A1/P-1) is appointed as Back Up Servicer. The reserve fund is not fully funded and represents at 1.25% of the outstanding amount of the notes. However, Moody's notes that this is a multi-servicer transaction, which partly mitigates servicer disruption risk. If a servicer were to default, the fondo could use the principal received from any of the other servicers to make timely payment of interest under the notes (single waterfall).

The rating addresses the expected loss posed to investors by the legal final maturity of the notes. In Moody's opinion, the structure allows for timely payment of interest and principal with respect of the notes by the legal final maturity. Moody's ratings only address the credit risk associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

#### Amortisation of Class A2 and A3 notes:

The rating action on class A2 reflects the probability that the Class A2 and A3 notes will turn to pro-rata payment in high loss scenarios. The amount retained as principal due will be allocated pro-rata between Classes A2 and A3 if the aggregated outstanding amount of Classes A2 and A3, by reason of principal, is equal to or greater than the outstanding amount of performing loans (including loans up to 90 days in arrears).

#### TRANSACTION FEATURES

RURAL Hipotecario IX closed in March 2007. The transaction consists of the securitization of a pool of first mortgage originated by 26 Spanish Rural saving banks for an overall balance at closing of EUR 1,500 million. The securitized mortgage portfolio benefits from a relatively low weighted average LTV, currently about 60%. The pool is exposed to the Mediterranean coast. 14% of the portfolio correspond to second homes.

Reserve fund: The rapidly increasing levels of defaulted loans ultimately resulted in draws to the reserve fund. The reserve fund is currently at 83% of its target. The reserve fund is currently equal to 1.25 % of the note balance.

Swap: According to the swap agreement entered into between the Fondo and Banco Cooperativo, on each payment date:

- The Fondo will pay the amount of interest accrued (excluding margins over the reference index) on the underlying mortgage loans up to 18 months past due; and
- Banco Cooperativo Español will pay the weighted average index reference rate on the notes over a notional calculated as the daily average outstanding amount of loans up to 18 months in arrears.

Commingling: All of the payments under the loans are collected by the servicers under a direct debit scheme and transferred to the treasury accounts held at Banco Cooperativo Español (A1/P-1) on a daily basis. The commingling risk has been taken into account in the review of the transaction.

For details on the deal structure, please refer to the Rural Hipotecario IX new issue reports. Report is available on [www.moody's.com](http://www.moody's.com).

The principal methodologies used in this rating were Moody's Updated Methodology for Rating Spanish RMBS published in July 2008, Cash Flow Analysis in EMEARMBS: Testing Features with the MARCO Model (Moody's Analyser of Residential Cash Flows) published in January 2006, Moody's Approach to Automated Valuation Models in Rating UK RMBS published in August 2008, A Framework for Stressing House Prices in RMBS Transactions in EMEA published in July 2008 and Global Structured Finance Operational Risk Guidelines: Moody's Approach to Analyzing Performance Disruption Risk published in March 2011.

Moody's Investors Service did not receive or take into account a third-party due diligence report on the underlying assets or financial instruments related to the monitoring of this transaction in the past six months.

#### LIST OF RATINGS ACTIONS

Issuer: RURAL HIPOTECARIO IX FONDO DE TITULIZACIÓN DE ACTIVOS

EUR1,021MA2 Notes, Downgraded to Aa3 (sf); previously on Nov 30, 2009 Aaa (sf) Placed Under Review for Possible Downgrade

EUR210.0MA3 Notes, Downgraded to Aa3 (sf); previously on Nov 30, 2009 Aaa (sf) Placed Under Review for Possible Downgrade

EUR29.3MB Notes, Downgraded to Baa3 (sf); previously on Nov 30, 2009 Aa3 (sf) Placed Under Review for Possible Downgrade

EUR28.5MC Notes, Downgraded to B2 (sf); previously on Nov 30, 2009 Baa2 (sf) Placed Under Review for Possible Downgrade

EUR10.5MD Notes, Downgraded to Caa1 (sf); previously on Nov 30, 2009 Ba3 (sf) Placed Under Review for Possible Downgrade

EUR15.0ME Notes, Downgraded to C (sf); previously on Nov 30, 2009 Ca (sf) Placed Under Review for Possible Downgrade

#### REGULATORY DISCLOSURES

The ratings have been disclosed to the rated entity or its designated agents and issued with no amendment resulting from that disclosure.

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