

FitchRatings

Fitch Takes Various Rating Actions on IM Cajamar 6 12 Jan 2010 8:55 AM (EST)

Fitch Ratings-London/Madrid-12 January 2010: Fitch Ratings has today downgraded two and affirmed three classes of IM Cajamar 6, Fondo de Titulizacion de Activos, a Spanish RMBS transaction. Four tranches now have Negative Outlooks as a result of the rating actions. The downgrade of the class C and D notes reflect Fitch's concern over the transaction's performance. The rating actions are as follows:

Class A (ISIN ES0347559009) affirmed at 'AAA'; Outlook revised to Negative from Stable; Loss Severity Rating 'LS1'

Class B (ISIN ES0347559017) affirmed at 'AA'; Outlook revised to Negative from Stable; Loss Severity Rating 'LS3'

Class C (ISIN ES0347559025) downgraded to 'BBB+' from 'A'; Outlook Negative; Loss Severity Rating 'LS4'

Class D (ISIN ES0347559033) downgraded to 'B' from 'BB+'; Outlook Negative; Loss Severity Rating 'LS3'

Class E (ISIN ES0347559041) affirmed at 'CC'; Recovery Rating 'RR5'.

According to the latest investor reports for IM Cajamar 6, the issuer reported a reserve fund draw of EUR11.5m caused by the level of defaults provisioned in the past three months (EUR15.1m compared to EUR11m for the period June-August 2009). As of December 2009, the reserve fund stood at 45% of its target amount, leaving the junior tranche class D with only 1.4% of credit support compared to 2.6% at closing.

The transaction provisions for defaulted loans once delinquent borrowers have fallen into the 12 missed payments category. As of November 2009, the net cumulative balance of defaulted loans reached 1.9% of the initial pool at closing. Recoveries to date have been limited, reaching 0.1% of the initial portfolio, as can be expected given the low seasoning of the deal. The weighted average current loan-to-value of the pool is relatively low, at 63.1% as calculated by Fitch, compared to other poorly performing Spanish RMBS transactions. Recoveries are therefore expected to be significant despite Fitch's expectation of a 30% house price decline in Spain from peak to trough in the current economic cycle. However, the timing of these recoveries could be crucial to the payment of interest on the most junior notes.

The extent of the negative rating actions has been limited by the reducing volume of loans in arrears. The volume of loans in arrears by more than three months has decreased to EUR17.7m (1.1% of the current portfolio), compared to the peak in March 2009 of EUR45.1m, or 2.5% of the then current amount. Of the loans currently in arrears, 97.1% are linked to 12-month Euribor rates, with 87% actually set at a rate that is greater than 1.75%, in comparison to the 12-month Euribor rate of 1.2% as of 31 December 2009. The reversion of these loans to lower rates may lead to a further improvement in the performance of loans, which is why Fitch expects the level of defaults to level-off from current levels seen to date. The loan-by-loan level data which Fitch received is evidence of this. Further reserve fund draws are still expected to occur, although most likely at levels lower than those seen in the past three quarters. Fitch bases its assumption on the fact that most of the loans in arrears by more than six months, have already been brought forward to default.

Despite the expected decline in reserve fund draws, the level of credit support available to classes C and D is likely to decline further, which is why Fitch has downgraded these tranches to 'BBB+' and 'B' respectively.

The Negative Outlooks on classes A and B reflect Fitch's concern over the pace at which the transaction's performance has deteriorated to date, compared to other IM Cajamar transactions. If defaults and reserve fund draws remain at the levels seen to date, further negative rating actions are likely.

Fitch used its EMEA RMBS surveillance criteria, employing its credit cover multiple methodology, in reviewing the deals, to assess the level of credit support available to each class of notes.

Applicable criteria available from Fitch's website at www.fitchratings.com: 'EMEA RMBS Surveillance Criteria', dated 9 April, 2009 and 'Global Structured Finance Rating Criteria', dated 30 September 2009.

Further commentary and performance data on the transaction are available on the agency's website, www.fitchratings.com.

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