



## Fitch Affirms La Hipotecaria's Tenth Mtg Trust & Panamanian Mtg Trust 2010-1; Outlook Stable

Fitch Ratings-Chicago-02 May 2019: Fitch Ratings has affirmed the ratings for La Hipotecaria's Tenth Mortgage Trust and the ratings on La Hipotecaria Panamanian Mortgage Trust 2010-1 certificates. A full list of rating actions follows at the end of this press release.

### KEY RATING DRIVERS

**Asset Analysis:** The portfolio is composed of 2,324 mortgage loans. The average OLTV for the portfolio is 94.0% while the average current loan-to-value ratio is 66.1%. Delinquencies are maintained at low levels due to the fact that 62.5% of the current portfolio benefits from direct deduction on the borrower pay checks.

Cumulative 180+-day delinquency level has only reached 1.01% of the original pool balance, lower than expected by Fitch. As of Dec. 31, 2018, of the 51 loans that have reached a delinquency level of 180+ days, 28 have been foreclosed with recoveries of 100%, a higher level than was initially expected in the base case. Prepayments have been in line with Fitch's expectation, averaging 4.9% over the life of the transaction and 6.4% over the past 12 months.

**Cash Flow Analysis:** Credit Enhancement has increased during the last year due to the sequential nature of the structure. As of Dec. 31, 2018, CE has increased to 36.6%, up from 29.8% observed during the same month of last year. Stability in the excess spread along with good asset performance has also helped to improve this metric.

**Operational Risk:** Pursuant to the servicer agreement, Grupo ASSA, S.A. (the primary servicer), which is rated 'BBB-/Stable by Fitch, has hired Banco La Hipotecaria, S.A. (the sub-servicer) to be the servicer for the mortgages. Fitch has reviewed Banco La Hipotecaria's systems and procedures and is satisfied with its servicing capabilities. These capabilities are also demonstrated through historical asset performance. Also, Banco General S.A., which is rated 'BBB+/Stable by Fitch has been designated as back-up servicer in order to mitigate the exposure to operational risk, and will replace the defaulting servicer within five days of a servicer disruption event.

**Credit Quality:** The rating assigned to the 2010-1 certificates is commensurate with the credit quality of the guarantee provider. The credit quality of the Overseas Private Investment Corporation (OPIC) is directly linked to the U.S. sovereign rating (AAA/F1+/Stable), as guarantees issued by, and obligations of, OPIC are backed by the full faith and credit of the U.S. government, pursuant to the Foreign Assistance Act of 1969.

The rating assigned to the 2010-1 unenhanced certificates is commensurate with the credit quality of the Series A Notes of La Hipotecaria's Tenth Mortgage-Backed Notes Trust.

**Reliance on OPIC Guaranty:**

Fitch assumes the payment on the notes will rely on the OPIC guaranty. Through this guaranty OPIC will

unconditionally and irrevocably guarantee the receipt of proceeds from the underlying notes in an amount sufficient to cover timely scheduled monthly interest amounts and the ultimate principal amount on the certificates.

Sovereign Local-Currency IDR: As of Feb. 25, 2019, Panama's Issuer Default Ratings (IDR) are 'BBB'/Stable and its Country Ceiling (CC) is 'A'. According to Fitch's 'Structured Finance and Covered Bonds Country Risk Rating Criteria' the ratings of Structured Finance notes cannot exceed the CC of the country of the assets, unless the transfer and convertibility (T&C) risk is mitigated. While the transactions have sufficient credit enhancement to be rated above the country's IDR, the T&C risk is not mitigated, so the ratings remain constrained by the CC and ultimately linked to the ratings of Panama.

## RATING SENSITIVITIES

The rating of the series A & IO notes is sensitive to changes in the credit quality of Panama (especially in its CC). An upgrade or downgrade of Panama's ratings, specifically its country ceiling, could lead to an upgrade or downgrade on the notes. In addition, severe increases in foreclosure frequency as well as reductions in recovery rates could lead to a downgrade of the notes.

The unenhanced rating of the U.S. Certificates is sensitive to changes in the credit quality of the Series A Notes. The enhanced rating of the U.S. Certificates is sensitive to changes in the credit quality of the U.S. sovereign as OPIC is an agency of the U.S..

## USE OF THIRD-PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G-10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

Fitch has affirmed the following ratings:

La Hipotecaria Tenth Mortgage Trust  
—\$86.4 million series A notes and Interest Only notes at 'Asf; Outlook Stable.

La Hipotecaria Panamanian Mortgage Trust 2010-1  
—\$72.0 million 2010-1 certificates at 'AAAsf; Outlook Stable;  
—Unenhanced Long-Term Rating at 'Asf; Outlook Stable.

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#### Sources of Information:

Fitch has checked the consistency and plausibility of the information published by La Hipotecaria and no material discrepancies were noted that would affect Fitch's rating analysis.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

#### Applicable Criteria

Global Structured Finance Rating Criteria - Effective from 15 May 2018 to 2 May 2019 (pub. 15 May 2018)

Latin America RMBS Rating Criteria (pub. 07 Dec 2017)

Single- and Multi-Name Credit-Linked Notes Rating Criteria (pub. 24 Apr 2019)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 18 Apr 2019)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Oct 2018)

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