



Fitch Takes Actions on La Hipotecaria's El Salvadorian Cross-Border Transactions

Fitch Ratings-Chicago-20 October 2017: Fitch Ratings has upgraded the ratings for the series A notes on La Hipotecaria Eleventh Mortgage-Backed Notes Trust and La Hipotecaria Thirteenth Mortgage-Backed Notes Trust. Fitch has also revised the Rating Outlook to Stable from Negative mirroring the Stable Outlook on El Salvador's sovereign ratings and also reflecting asset performance.

In addition, Fitch has affirmed the ratings for La Hipotecaria El Salvadorian Mortgage Trust 2013-1 certificates and for La Hipotecaria El Salvadorian Mortgage Trust 2016-1 certificates.

A full list of rating actions follows at the end of this release.

KEY RATING DRIVERS

Credit Quality of the Sovereign: On Oct. 6, 2017 Fitch upgraded El Salvador's Long-Term Foreign Currency Issuer Default Rating (FC IDRs) to 'B-' and its country ceiling to 'B'. According to Fitch's 'Structured Finance and Covered Bonds Country Risk Rating Criteria' (September 2017), the ratings of Structured Finance notes cannot exceed the country ceiling 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 FC IDR, the ratings remain constrained by the country ceiling and are ultimately linked to the ratings of El Salvador given the lack of mitigants to T&C risk.

Performance of the Underlying Assets: Delinquencies within the underlying portfolios have performed in line with Fitch's expectations. Such low delinquency levels can be partly explained by the fact that the vast majority of the securitized loans benefit from a direct deduction payment mechanism, which helps mitigate willingness to pay risk. Cumulative +180-day delinquencies represent 1.4% of the original pool balance in the case of La Hipotecaria Eleventh Mortgage-Backed Notes Trust and 0.3% in the case of La Hipotecaria Thirteenth Mortgage-Backed Notes Trust mainly due to its short history.

Increased Credit Enhancement: Credit Enhancement has built due to the sequential nature of the structures. As of September 2017, it has increased to 26.2% up from 23.3% observed during the same month of last year in the case of La Hipotecaria Eleventh Mortgage-Backed Notes Trust, while as of August 2017, it has increased to 12.8% up from 12.0% observed at its inception in the case of La Hipotecaria Thirteenth Mortgage-Backed Notes Trust. Stability on excess spread provides additional enhancement.

Recoveries: As of September 2017, 33 loans reached 180+ days in the case of La Hipotecaria Eleventh Mortgage-Backed Notes Trust. Of those, eight have been foreclosed with a recovery of almost 100%. In the case of La Hipotecaria Thirteenth Mortgage-Backed Notes Trust, as of August 2017, there are four loans with delinquencies higher than 180 days, but none of those have been recovered yet.

Credit Quality of Guaranty Provider: La Hipotecaria El Salvadorian Mortgage Trust 2013-1 and La Hipotecaria El Salvadorian Mortgage Trust 2016-1 certificates benefit from a payment guarantee by Overseas Private Investment Corporation (OPIC) in the event funds are insufficient to cover the monthly interest and final principal payment of the notes. OPIC is backed by the full faith and credit of the United States of America (AAA/Stable).

RATING SENSITIVITIES

The ratings of the series A notes in both La Hipotecaria Eleventh Mortgage-Backed Notes Trust and La Hipotecaria Thirteenth Mortgage-Backed Notes Trust are sensitive to changes in the credit quality of El Salvador. An upgrade or downgrade of El Salvador's ratings, specifically its country ceiling, would lead to an upgrade or downgrade on the notes. In addition, severe increases in foreclosure frequency and prepayments as well as reductions in recovery rates could lead to a downgrade of the notes.

The rating of series 2013-1 and 2016-1 certificates are 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

No third party due diligence was provided or reviewed in relation to this rating action.

Fitch has taken the following actions:

La Hipotecaria Eleventh Mortgage-Backed Notes Trust

--\$37.8 million series A notes upgraded to 'Bsf' from 'B-sf'; Outlook revised to Stable.

La Hipotecaria El Salvadorian Mortgage Trust 2013-1

--\$33.75 million series 2013-1 certificates affirmed at 'AAAsf'; Outlook Stable.

La Hipotecaria Thirteenth Mortgage-Backed Notes Trust

--\$39.6 million series A notes upgraded to 'Bsf' from 'B-sf'; Outlook revised to Stable.

La Hipotecaria El Salvadorian Mortgage Trust 2016-1

--\$33.75 million series 2016-1 certificates affirmed at 'AAAsf'; 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 impact Fitch's rating analysis.

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Additional information is available on www.fitchratings.com

Applicable Criteria

Global Structured Finance Rating Criteria (pub. 03 May 2017) (<https://www.fitchratings.com/site/re/897411>)

Latin America RMBS Rating Criteria (pub. 17 Feb 2017) (<https://www.fitchratings.com/site/re/894083>)

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017)

(<https://www.fitchratings.com/site/re/898537>)

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 18 Sep 2017)

(<https://www.fitchratings.com/site/re/903496>)

Related Research

La Hipotecaria El Salvadorian Mortgage Trust 2013-1 -- Appendix (<https://www.fitchratings.com/site/re/707244>)

La Hipotecaria El Salvadorian Mortgage Trust 2016-1 - Appendix (<https://www.fitchratings.com/site/re/888139>)

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