



Fitch Affirms Ratings on La Hipotecaria's El Salvadorian Cross-Border Transactions

Fitch Ratings-Chicago-12 October 2018: Fitch Ratings has affirmed the ratings of the series A notes on La Hipotecaria Eleventh Mortgage-Backed Notes Trust and La Hipotecaria Thirteenth Mortgage-Backed Notes Trust.

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

Performance of the Underlying Assets: Delinquencies within the underlying portfolios have performed better than Fitch's initial 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 as of July 2018, represent 2.0% of the original pool balance for La Hipotecaria Eleventh Mortgage-Backed Notes Trust, and 0.7% of the original pool balance for La Hipotecaria Thirteenth Mortgage-Backed Notes Trust, levels lower than the 6.7% and 1.4% initially expected by Fitch for each of the transactions, respectively.

Recoveries in Line With Expectations: As of July 2018, 48 loans have reached delinquencies of 180 days for La Hipotecaria Eleventh Mortgage-Backed Notes Trust. Of those, 15 have been foreclosed with recoveries of almost 100%. For La Hipotecaria Thirteenth Mortgage-Backed Notes Trust, 10 loans have reached delinquencies of 180 days, and of those only one has been foreclosed with a recovery of 100%.

Stable Prepayments: Prepayments have been in line with Fitch's expectations, averaging 4.7% over the life of the transaction and 5.3% over the last 12 months in the case of La Hipotecaria Eleventh Mortgage-Backed Notes Trust, averaging 3.3% over the life of the transaction and 3.9% over the last 12 months in the case of La Hipotecaria Thirteenth Mortgage-Backed Notes Trust.

Increased Credit Enhancement: Credit enhancement (CE) has accumulated due to the sequential nature of the structures. As of July 2018, year over year, CE has increased to 29.5% from 25.8% for La Hipotecaria Eleventh Mortgage Backed Notes Trust, and to 13.6% up from 12.7% for La Hipotecaria Thirteenth Mortgage-Backed Notes Trust. Stability on excess spread provides additional enhancement.

Credit Quality of the Sovereign: El Salvador's Long-Term Issuer Default Rating (IDR) was affirmed on June 13, 2018 at 'B-' and its Country Ceiling (CC) at '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 CC of the country of the assets, unless the T&C risk is mitigated. While the transaction has sufficient CE to be rated above the country's IDR, the T&C risk is not mitigated, so the ratings remains constrained by the CC and ultimately linked to the ratings of El Salvador given the lack of mitigants for T&C risk.

Operational Risk: Pursuant to the servicer agreement, Grupo ASSA, S.A. (the primary servicer), which is rated

'BBB-'/Outlook Stable by Fitch, has hired La Hipotecaria S.A. de C.V. (the sub-servicer) to be the servicer for the mortgages. Fitch has reviewed La Hipotecaria S.A. de C.V.'s systems and procedures and is satisfied with its servicing capabilities. These capabilities are also demonstrated through historical asset performance. Additionally, Banco General S.A., which is rated 'BBB+'/Outlook 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 in the event of a servicer disruption event.

OPIC Guaranty: The timely payment of interest and ultimate payment of principal of La Hipotecaria El Salvadorian Mortgage Trust 2013-1 and La Hipotecaria El Salvadorian Mortgage Trust 2016-1 certificates are guaranteed by OPIC. OPIC is an agency of the U.S. government whose obligations are backed by the full faith and credit of the U.S. government (AAA/Stable). This allows these certificates to reach 'AAAsf' with a Stable Outlook.

RATING SENSITIVITIES

The rating of the series A notes for the 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's (especially in its CC). A further upgrade or downgrade of El Salvador's ratings, specifically its country ceiling (B), could 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 series 2013-1 and 2016-1 certificates' ratings 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 affirmed the following ratings:

La Hipotecaria Eleventh Mortgage-Backed Notes Trust
– \$37.8 million series A notes at 'Bsf'; Outlook Stable.

La Hipotecaria El Salvadorian Mortgage Trust 2013-1
– \$33.75 million series 2013-1 certificates at 'AAAsf'; Outlook Stable.

La Hipotecaria Thirteenth Mortgage-Backed Notes Trust
– \$39.6 million series A notes at 'Bsf'; Outlook Stable.

La Hipotecaria El Salvadorian Mortgage Trust 2016-1
– \$33.75 million series 2016-1 certificates 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. 15 May 2018)

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

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 01 Aug 2018)

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

Related Research

La Hipotecaria El Salvadorian Mortgage Trust 2013-1 -- Appendix

La Hipotecaria El Salvadorian Mortgage Trust 2016-1 - Appendix

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

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