Sixteenth Mortgage-Backed Notes Trust, La Hipotecaria Panamanian Mortgage Trust 2021-1 Ratings Affirmed After Correction

November 6, 2026

Overview

- S&P Global Ratings has identified a criteria misapplication in how we derived our credit ratings on Sixteenth Mortgage-Backed Notes Trust and La Hipotecaria Panamanian Mortgage Trust's series 2021-1, specifically regarding the treatment of Panama's interest rate subsidies.
- After reviewing the transactions to correct the criteria misapplication, we affirmed our ratings on Sixteenth Mortgage-Backed Notes Trust's series A, B, and C notes and on La Hipotecaria Panamanian Mortgage Trust's series 2021-1 certificates. The ratings reflect our view that the credit enhancement for each series is sufficient to withstand the stress scenarios, and that operational, legal, and counterparty risks remain consistent with our current ratings.
- In this review we also incorporated our revised assumptions for the Panamanian mortgage market.

Sao Paulo (S&P Global Ratings) Nov. 6, 2026--S&P Global Ratings today affirmed its long-term global scale ratings on Sixteenth Mortgage-Backed Notes Trust's series A, B, and C notes and on La Hipotecaria Panamanian Mortgage Trust's series 2021-1 certificates. Sixteenth Mortgage-Backed Notes Trust is a Panamanian RMBS transaction backed by a portfolio of Panamanian mortgages originated and serviced by Banco La Hipotecaria S.A. (not rated). La Hipotecaria Panamanian Mortgage Trust series 2021-1 is a retranching structure of Sixteenth Mortgage-Backed Notes Trust's series A notes. (See ratings list.)

Rating Action Rationale

We reviewed the ratings following the identification of a misapplication of our criteria, Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019 and Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019, in our Dec. 10, 2024, rating action as well as misapplication of the same criteria for incorporating sovereign risk in rating structured finance securities and our Updated Counterparty Risk Methodology (July 25, 2025) in our Oct. 29, 2025, review (See 'Criteria Misapplication' for further details).

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We performed a detailed review of the transactions, including an assessment of the assumptions applicable to the Panamanian mortgage market. Our analysis concludes that the credit enhancement for each series continues to be sufficient to withstand the stress scenarios, and that operational, legal, and counterparty risks remain consistent with our current ratings.

Updated Credit Assumptions

Since we initially rated these transactions, we are maintaining all assumptions unchanged, except for two adjustments: (i) we increased the loan-to-value (LTV) ratio neutral point to 75% from 70% for the archetypical pool, and (ii) we reduced the stress applied to the fixed market value decline assumption in Table 3 of the criteria to 1.1x from 1.25x. In addition, we now apply the payment shock adjustment of 1.2x to foreclosure frequency only to the portion of loans with interest rate subsidies that exceed the level represented in the archetypical pool, which currently stands at 50%.

Credit Quality and Cash Flow Analysis

We analyzed the credit quality of the underlying pool based on our criteria "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," Jan. 25, 2019.

We estimated two main parameters: the foreclosure frequency, which represents the proportion of loans in a pool likely to go into foreclosure; and the loss severity, which is a measure of loss-given default expressed as a percentage of the loan balance. The results of our credit analysis, including the weighted-average foreclosure frequency and the weighted-average recovery rate represent inputs to our cash flow analysis.

Under our cash flow analysis for the series A notes and the 2021-1 certificates, we tested the transactions' ability to withstand a sovereign default scenario. Under this scenario, we assumed that Panama would cease providing the interest rate subsidy following a default, and thus the obligor would need to pay the interest rate in full, under its mortgage loan. We also applied a 10% adjustment to account for a potential increase in the pool's foreclosure frequency resulting from the early termination of the subsidy. Furthermore, we assigned zero value to fiscal credits, assuming Panama would be unable to fulfill these payments post-default. Under our sovereign scenario, we have applied a weighted-average foreclosure frequency and a weighted-average loss severity of 32.9% and 29.5%, respectively.

Based on the results from our cash flow analysis, we determined that the transaction is eligible to be rated up to two notches above Panama's sovereign rating, as per our criteria. However, we limited the uplift to one notch to reflect the transaction's potential rating volatility in the event of greater-than-expected collateral deterioration.

For the ratings on the series B and C notes we considered a scenario where Panama continues to provide the interest rate subsidy and we gave value to fiscal credits. Both series could not withstand the stresses applied at a 'B' rating level. Therefore, we used our "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', and 'CC' Ratings," published Oct. 1, 2012.

The series B notes were only able to withstand a steady-state scenario, which considers the maintenance of current conditions. Therefore, continue to be in line with its current rating. As for the series C notes, the rating continues to reflect its structural subordination, the absence of hard credit enhancement, as well as our view that repayment would depend upon favorable conditions.

Transaction Performance

Since our last review, the underlying portfolio continued to perform adequately, with low default and delinquency ratios. According to the servicer report as of Oct. 6, 2026, the cumulative default ratio, calculated per legal documents, was 3.45%. This ratio has increased from 2.20% at the time of our December 2024 review, but it remains within our expectations and is still far from the 10.00% limit that would detonate a trigger event.

As of Sept. 30, 2026, total accrued interest amounted to USD 2.9 million for the series B notes and USD 0.88 million for the series C notes. Per the transaction documents, the accrual of interest in these series is permitted and does not constitute an event of default. We considered these unpaid interest amounts into our cash flow model.

According to information provided by the servicer, as of September 2026, the underlying portfolio was comprised of 2,631 loans and had an outstanding balance of $84.9 million. The portfolio had a weighted-average interest rate of 2.23% and a weighted-average remaining term of approximately 251 months. The weighted-average current LTV ratio was 67.3%

Other rating considerations

Operational, legal and counterparty risks remain consistent with our current ratings.

Surveillance

We will continue to closely monitor the performance of the transaction. Should the collateral experience higher-than-expected deterioration, or should the trust experience liquidity constraints, we may review our ratings.

Criteria misapplication

In our initial rating action, we considered the rating to be exposed to the sovereign risk of Panama, as it provides the subsidies for the securitized mortgage loans. Consequently, we treated Panama as a rating-dependent counterparty, in accordance with the counterparty risk criteria. Following Panama's downgrade on Nov. 26, 2024, we reviewed the ratings on these transactions on Dec. 10, 2024, and removed the rating dependency based on our methodology for incorporating sovereign risk. Specifically, we analyzed the interest rate subsidy feature via the sovereign default scenario and affirmed the ratings.

This was determined to be inconsistent with our criteria as in our analysis we tested a sovereign default scenario in which we continued giving value to the interest rate subsidies as well as to the fiscal credit amounts owed to the trust by Panama. Also, our analysis did not incorporate increased borrower risk stemming from a potential shock, such as a sudden or unanticipated interest rate increase following an early termination of subsidies under a rating scenario above the sovereign rating.

In addition, as per our criteria, we typically assess RMBS as having a 'low' sensitivity to sovereign default risk. However, in our reviews from 2024 and 2025, we assessed the sensitivity as 'high' considering the mortgage loans benefit from the Panamanian interest rate subsidy. This suggests that the sensitivity assessment under our criteria for incorporating sovereign risk was used in lieu of a rating dependency under the counterparty criteria. The latter represents an inconsistent application of the criteria for incorporating sovereign risk framework, as the subsidy payments were analyzed for credit and cash flow purposes as a direct obligation of the sovereign.

Related Criteria

- Criteria | Structured Finance | General: Methodology For Rating Structured Finance Securities Above The Sovereign, April 10, 2026
- Criteria | Structured Finance | General: Counterparty Risk Methodology, July 25, 2025
- Criteria | Structured Finance | Legal: U.S. Structured Finance Asset Isolation And Special-Purpose Entity Criteria, May 29, 2025
- Criteria | Structured Finance | Legal: Asset Isolation And Special-Purpose Entity Methodology, May 29, 2025
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Criteria | Structured Finance | General: Global Methodology For Rating Retranchings Of ABS, CMBS, And RMBS, Aug. 1, 2016
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- S&P Global Ratings Definitions, Oct. 12, 2026
- Four Ratings Affirmed From Sixteenth Mortgage-Backed Notes Trust And La Hipotecaria Panamanian Mortgage Trust 2021-1, Dec. 10, 2024

Ratings Affirmed

Sixteenth Mortgage-Backed Notes Trust

- Series A notes: 'BBB (sf)'
- Series B notes: 'B- (sf)'
- Series C notes: 'CCC+ (sf)'

La Hipotecaria Panamanian Mortgage Trust 2021-1

- Series 2021-1 certificates: 'BBB (sf)'

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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