

## Ratings Affirmed On One Class From La Hipotecaria Panamanian Mortgage Trust 2007-1

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### OVERVIEW

- We affirmed our 'BBB (sf)' long-term rating and our 'BBB (sf)' SPUR on La Hipotecaria Panamanian Mortgage Trust 2007-1, an RMBS transaction backed by a portfolio of Panamanian mortgages originated and serviced by Banco La Hipotecaria S.A.
- The affirmations reflect the collateral's solid performance and the transaction's strong credit enhancement, which continue to withstand stress scenarios consistent with the current rating levels.
- The affirmation also reflects our view that the transaction's operational, counterparty, legal, and payment structure risks remain consistent with the current rating level of the notes.

NEW YORK (S&P Global Ratings) Sept. 15, 2017--S&P Global Ratings today affirmed its 'BBB (sf)' long-term rating and Standard & Poor's Underlying Rating (SPUR) on La Hipotecaria Panamanian Mortgage Trust's series 2007-1 certificates, a Panamanian RMBS transaction backed by a portfolio of Panamanian mortgages originated and serviced by Banco La Hipotecaria S.A. (La Hipotecaria; not rated; see list).

The rating affirmations are based on the underlying portfolio's solid performance as well as the current credit enhancement levels, provided in the form of overcollateralization and an interest reserve account, which, in our opinion, are sufficient to withstand the current rating levels. The rating affirmations also reflect our view that the transaction's operational,

counterparty, legal, and payment structure risks remain consistent with the current rating levels.

According to the data provided by the servicer, as of August 2017, the underlying portfolio has shown relatively low default and delinquency ratios. The 31-90 days delinquency ratio was of 2.82% and a 91-180 delinquency of 0.14%, compared to 3.45% and 0.03% respectively, observed in our last rating action in February 2014. The cumulative default ratio, calculated per the legal documents, was 1.88% as of the last servicer report; this ratio has slightly increased from 1.46% at the time of our last review but it remains within our expectations and is still far from the 10% limit that would detonate a trigger event, in which the class B interest payments would be ceased until the class A notes are fully amortized.

On the other hand, overcollateralization is provided in the form of subordinated unrated class B notes. In August 2017, the transaction had an overcollateralization ratio (calculated as 1 - liabilities divided by current assets) of 39.02%, up from 26.09% observed during our last rating actions because of the transaction's sequential payment priority of payments, which allocates all the available collections to repay the principal on the class A notes, after covering expenses and interest. Calculated as per the transaction documents, the credit enhancement ratio was 15.90% and remains above its 11.50% target level.

In addition, the transaction also benefits from an interest reserve account for the equivalent of three months of Class A interest payments, in the form of a letter of credit (LOC) provided by Banco General, S.A. (BBB / Stable / A-2) who replaced Citibank, N.A. (A/Stable/A-1).

As of August 2017, the portfolio was comprised of 2,413 loans, of which 2,399 were current, representing an outstanding balance of \$36.98 million. The portfolio had a weighted average interest rate of 6.63% and a weighted average remaining term of approximately 212 months. The weighted average loan-to-value ratio was 59.89%, compared to approximately 73% in our last review.

To review the ratings, S&P Global Ratings relied on its Principles of Credit Ratings, published on Feb. 16, 2011, to develop foreclosure frequency and loss severity assumptions at different rating levels. Particularly, at the 'BBB' rating level, we determined an 18% foreclosure frequency combined with a 45% loss severity, applied through several moments of the transaction's life. This simulated the potential effects of a crisis on the underlying portfolio. These assumptions were maintained since our last review mainly because of the stable performance observed in the collateral backing the notes.

After analyzing the operational risk of the transaction using "Global Framework for Evaluating Operational Risk in Structured Finance Transactions," published Oct. 9, 2014, S&P Global Ratings identified La Hipotecaria as the only performance key transaction participant (KTP) and determined that the maximum potential rating for this transaction is 'A (sf)'. This is mainly

based on our view of a 'high' severity risk ranking, a 'high' portability risk ranking, and a 'low' disruption risk ranking, as a result of a 'stable' operating condition assessment and 'satisfactory' key performance attributes.

The transaction is backed by a pool of Panamanian residential U.S. dollar-denominated floating-rate mortgages originated by La Hipotecaria, a mortgage lender and servicer based in Panama operating since 1997. The transaction, issued in 2007, was La Hipotecaria's eighth securitization. The class A notes are due on Dec. 19, 2036, and pay monthly interest at a floating rate equivalent to the Panamanian reference rate minus 0.72%. As of August 2017, the notes' outstanding balance was \$22.27 million.

The certificates were originally rated 'AAA (sf)', reflecting the bond insurance by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc. [XLCA; not rated]) and were assigned an underlying SPUR rating (absent the financial guarantee) of 'BBB (sf)'. In June 2008, XLCA was downgraded below the transaction's SPUR rating; thus, the longer-term rating on the certificates was lowered to the level of the SPUR and was de-linked from the insurer.

We will continue monitoring the performance of the securitized portfolio as well as the available credit enhancement and could take rating actions as we deem necessary. The ratings could be affected if the transactions' overcollateralization ratios drop or because of changes to the assumptions on variables, such as additional levels of losses or recoveries.

#### RELATED CRITERIA

- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Criteria - Structured Finance - ABS: Securitization In Latin America: Existing Assets: Asset-Specific Rating Criteria, Sept. 1, 2004

#### RELATED RESEARCH

- Credit Conditions: Political Uncertainty Hinders Improving Credit Conditions In Latin America, June 30, 2017.
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- S&P Global Ratings Definitions, June 26, 2017
- Latin American Structured Finance Scenario And Sensitivity Analysis 2015: The Effects Of Regional Market Variables, Oct. 28, 2015
- General Description Of The Credit Rating Process, May 15, 2014
- La Hipotecaria Panamanian Mortgage Trust 2007-1 Ratings Affirmed, March 4, 2014

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?", March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.

#### RATINGS AFFIRMED

##### La Hipotecaria Panamanian Mortgage Trust 2007-1

	Rating	Current	Outstanding
Series	type	rating	balance (mil. \$)
2007-1	Long-term	BBB (sf)	22.27
2007-1	SPUR	BBB (sf)	22.27

SPUR--Standard & Poor's Underlying Rating.

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