

## **FITCH AFFIRMS LA HIPOTECARIA'S CROSS BORDER RMBS ; OUTLOOK REVISED TO POSITIVE**

Fitch Ratings-Chicago-19 July 2010: Fitch Ratings has affirmed the long-term ratings assigned to La Hipotecaria's cross-border residential mortgage backed security (RMBS) transaction issued in 2007. In addition, the Rating Outlook has been revised to Positive from Stable and Loss Severity (LS) ratings have also been assigned.

The rating actions are:

La Hipotecaria Eight Mortgage Backed Notes Trust

--US\$76.5 million series A notes affirmed at 'BBB/LS1'; Outlook to 'Positive.

La Hipotecaria Panamanian Mortgage Trust 2007-1

--US\$73.1 million 2007-1 notes affirmed at 'BBB/LS1'; Outlook to Positive..

The series A notes issued by La Hipotecaria's Eight Mortgage Trust is backed by a portfolio of residential mortgages originated by Banco La Hipotecaria S.A. (formerly La Hipotecaria S.A.) to low income individuals in the Republic of Panama. The majority of the portfolio benefits from the direct deduction of mortgage installments from the borrower's wages, significantly mitigating exposure to willingness to pay. The 2007-01 notes issued by La Hipotecaria Panamanian Mortgage Trust 2007-1 is backed by a portion of the series A notes issued by La Hipotecaria's Eight Mortgage Trust, and therefore, is backed by the same portfolio.

Affirmation of the ratings and the revision in Outlook reflect the performance of the underlying mortgages, with +180 day defaults reaching 0.73% of the initial portfolio balance, the expectation that credit enhancement levels will continue to grow above the initial 15.5% level (current enhancement level is 17.84%), and the positive scenario of the Panamanian economy.

On March 23, 2010, Fitch upgraded the long-term Foreign and Local Currency ratings assigned to the Republic of Panama to 'BBB-' from 'BB+'. Outlooks on both ratings remained Positive. The upgrades reflect a sustained improvement in public finances, underpinned by recent tax reforms, and the economy's resilience to the global financial crisis and associated recession.

These rating actions reflect the principles under Fitch's 'Global Structured Finance Rating Criteria' and 'Criteria for Existing Asset Securitization in Emerging Markets - Sovereign Constraints.'

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