



Fitch Reviews La Hipotecaria's Transactions After Sovereign Action














Fitch Ratings - Chicago - 14 February 2020:

Fitch Ratings affirmed the ratings of the La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes, La Hipotecaria Tenth Mortgage Trust Series A Notes & IO Notes, La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series A Notes and La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A Notes and revised the Outlooks to Negative from Stable following Fitch's revision of Panama's Outlook to Negative from Stable on Feb. 6, 2020.

Fitch Ratings affirmed the ratings of the La Hipotecaria Panamanian Mortgage Trust 2007-1 Certificates, La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 Certificates and La Hipotecaria Trust 2019-2 Certificates and revised the Outlooks to Negative from Stable as they are sensitive to the credit quality of the underlying notes.

Fitch Ratings affirmed the ratings and the Outlook Stable of La Hipotecaria Fourteenth Mortgage-Backed Notes Trust B and C Notes along with the La Hipotecaria Panamanian Mortgage Trust 2014-1 A-1 Certificates.

RATING ACTIONS

| ENTITY/DEBT | RATING | PRIOR |
|---|---|---|
| La Hipotecaria Trust 2019-2 | | |
| Series 2019-2 Certificates | LT BBBsf  Affirmed | BBBsf  |
| La Hipotecaria Tenth Mortgage Trust Series A Notes | | |
| Interest Only | LT Asf  Affirmed | Asf  |
| Series A | LT Asf  Affirmed | Asf  |
| La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 | | |
| Series A | LT Asf  Affirmed | Asf  |
| La Hipotecaria Fourteenth Mortgage-Backed Notes Trust | | |
| A | LT BBBsf  Affirmed | BBBsf  |
| B | LT B+sf  Affirmed | B+sf  |
| C | LT | Bsf  |

| | | |
|--|---------------------------|---------|
| | Bsf ● Affirmed | |
| La Hipotecaria Panamanian Mortgage Trust 2007-1 2007-1 | | |
| 2007-1 Certificates 50346AAA3 | LT Asf ● Affirmed | Asf ● |
| 2007-1 Certificates 50346AAA3 | ULT Asf ● Affirmed | Asf ● |
| La Hipotecaria Panamanian Mortgage Trust 2014-1 | | |
| Class A-1 50346EAA5 | LT AAAsf ● Affirmed | AAAsf ● |
| Class A-2 50346EAB3 | LT BBBsf ● Affirmed | BBBsf ● |
| La Hipotecaria Twelfth Mortgage-Backed Notes Trust | | |
| Series A PAL3006961A4 | LT BBBsf ● Affirmed | BBBsf ● |

KEY RATING DRIVERS

Sovereign LC IDR:

As of Feb. 6, 2020, Panama's Issuer Default Ratings were affirmed at 'BBB', the Outlook was revised to Negative from Stable and the Country Ceiling is 'A'. According to Fitch's 'Structured Finance and Covered Bonds Country Risk Rating Criteria' the ratings of Structured Finance notes cannot exceed the CC of the country of the assets, unless the transfer and convertibility (T&C) risk is mitigated.

For the La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes, La Hipotecaria Tenth Mortgage Trust Series A Notes & IO Notes, the transactions have sufficient credit enhancement to be rated above the country's IDR, the T&C risk is not mitigated, so the ratings remain constrained by the country ceiling and ultimately linked to the ratings of Panama.

For the La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series A Notes and La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A, B & C Notes, the transactions are constrained by the country's IDR due to the underlying portfolios of mortgages having a high dependence on the public sector and in the case of the Twelfth, exposure to subsidies granted by the government of Panama.

Asset Analysis:

La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes

As of Jan. 31, 2020 The portfolio is composed of 1,789 mortgage loans. The average OLV for the portfolio is 92.7% while the average CLTV is 59.2%. Delinquencies are maintained at low levels due to the fact that 54.5% of the current portfolio benefits from direct deduction on the borrower pay checks. As of Jan. 31, 2020, of the 85 loans that have reached a delinquency level of 180+ days, cumulative +180-day delinquency level has only

reached 2.07% of the original pool balance, lower than expected by Fitch. Prepayments have been in line with Fitch expectation averaging 4.8% over the life of the transaction and 3.3% over the past 12 months.

La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A, B and C Notes

The current portfolio is composed of 2,059 mortgage loans. The average OLTV for the portfolio is 83.5% while the average CLTV is 69.1%. Delinquencies are maintained at low levels due to the fact that 76.8% of the current portfolio benefits from direct deduction on the borrower pay checks. Cumulative +180-day delinquency level has only reached 0.03% of the original pool balance, lower than the .4% initially assumed by Fitch for the base case for the same period of time. As of Jan. 31, 2020, only 1 loan has reached a delinquency level of 180+ days. Prepayments have been in line with Fitch expectation averaging 4.5% over the life of the transaction.

La Hipotecaria Tenth Mortgage Trust Series A Notes & Interest Only Notes

The portfolio is composed of 2,188 mortgage loans. The average OLTV for the portfolio is 94.1% while the average CLTV is 63.6%. Delinquencies are maintained at low levels due to the fact that 58.5% of the current portfolio benefits from direct deduction on the borrower pay checks. Cumulative +180-day delinquency level has only reached 1.27% of the original pool balance, lower than expected by Fitch. As of Jan. 31, 2020, 62 loans that have reached a delinquency level of 180+ days. Prepayments have been in line with Fitch expectation averaging 4.9% over the life of the transaction and 5.0% over the past 12 months.

La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series A Notes

The portfolio is composed of 2,056 mortgage loans. The average OLTV for the portfolio is 91.1% while the average CLTV is 68.3%. Delinquencies are maintained at low levels due to the fact that 68.3% of the current portfolio benefits from direct deduction on the borrower pay checks. Cumulative +180-day delinquency level has only reached 1.26% of the original pool balance, lower than the 3.5% initially assumed by Fitch for the base case for the same period of time. As of Jan. 31, 2020, 38 loans that have reached a delinquency level of 180+ days. Prepayments have been in line with Fitch expectation averaging 4.6% over the life of the transaction and 5.2% over the past 12 months.

Cash Flow Analysis:

La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes

Credit Enhancement has increased due to the sequential nature of the structure. As of Jan. 31, 2020, CE has increased to 52.4% up from 47.0% observed during the same month of last year. Stability in the excess spread along with good asset performance has also helped to improve this metric.

La Hipotecaria Tenth Mortgage Trust Series A Notes & Interest Only Notes

Credit Enhancement has increased during the last year due to the sequential nature of the structure. As of Jan. 31, 2020, CE has increased to 43.7% up from 36.8% observed during the same month of last year. Stability in the excess spread along with good asset performance has also helped to improve this metric.

La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series A Notes

Credit Enhancement has increased during the last year due to the sequential nature of the structure. As of Jan. 31, 2020, CE has increased to 19.0% up from 15.6% observed during the same month of last year. Credit enhancement continues to increase as expected considering the frequency of the fiscal credit payments. Fitch expects the credit enhancement level will continue to increase as fiscal credits are received and applied to the outstanding principal balance.

La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A, B & C Notes

Credit Enhancement has increased during the last year due to the sequential nature of the structure. As of Jan. 31, 2020, CE for the class A notes has increased to 8.9% up from 8.0% observed at closing in February. The CE levels for the class B notes has increased to 2.3% up from 2.0% and class C notes have increased to .1% from 0.0%.

Operational Risk:

Pursuant to the servicer agreement, Grupo ASSA, S.A. (the primary servicer) which is rated 'BBB-/Stable' by Fitch has hired Banco La Hipotecaria, S.A. (the sub-servicer) to be the servicer for the mortgages. Fitch has reviewed Banco La Hipotecaria's systems and procedures and is satisfied with its servicing capabilities. These capabilities are also demonstrated through historical asset performance. Also, Banco General S.A. which is rated 'BBB+/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 within five days of a servicer disruption event.

Credit Quality:

La Hipotecaria Panamanian Mortgage Trust 2007-1 Certificates

The rating assigned to the 2007-1 unenhanced certificates is commensurate with the credit quality of the Series A Notes of La Hipotecaria's Eight Mortgage-Backed Notes Trust.

La Hipotecaria Panamanian Mortgage Trust 2014-1 A-1 Certificates

The rating assigned to the 2014-1 A-1 certificates is commensurate with the credit quality of the guarantee provider. The credit quality of the U.S. Development Finance Corporation (DFC) is directly linked to the U.S. sovereign rating (AAA/F1+/Stable), as guarantees issued by, and obligations of, DFC are backed by the full faith and credit of the U.S. government, pursuant to the Foreign Assistance Act of 1969.

La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 Certificates

The rating assigned to the 2014-1 A-2 certificates the timely payment of interest and ultimate payment of principal relies on the Series A Notes of La Hipotecaria's Twelfth Mortgage-Backed Notes Trust.

La Hipotecaria Trust 2019-2 Certificates

The 2019-2 certificates are a repackaging of the La Hipotecaria Fourteenth Mortgage-Backed Notes Trust series A notes, therefore the rating assigned to the 2019-2 certificates is commensurate with the credit rating of the La Hipotecaria Fourteenth Mortgage-Backed Notes Trust series A notes, which carry a rating of 'BBBsf'/Outlook Negative. The interest received from the underlying notes is expected to be sufficient to cover the expenses and coupon payments due for the certificates.

Counterparty Risks:

Issuer Account Bank is Banco General (LT IDR BBB+). Replacement language is included on the transaction documents as well as a rating threshold for this counterparty of BBB and replacement timing of 60 days.

RATING SENSITIVITIES

The ratings of the La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes, La Hipotecaria Tenth Mortgage Trust Series A Notes & IO Notes, La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series

A Notes and La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A, B and C Notes are sensitive to changes in the credit quality of Panama (especially its country ceiling [CC]). An upgrade or downgrade of Panama's ratings, specifically its CC, could lead to an upgrade or downgrade on the notes. In addition, severe increases in foreclosure frequency as well as reductions in recovery rates could lead to a downgrade of the notes.

The ratings of the La Hipotecaria Panamanian Mortgage Trust 2007-1 - 2007-1 Certificates, La Hipotecaria Panamanian Mortgage Trust 2014-1 A-1 and A-2 Certificates and La Hipotecaria Trust 2019-2 - 2019-2 Certificates are sensitive to changes in the credit quality of the Series A Notes.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by Fitch in relation to this rating action.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

The ratings of the La Hipotecaria Panamanian Mortgage Trust 2007-1 - 2007-1 Certificates are linked to the La Hipotecaria Eight Mortgage Backed Notes Trust 2007-1 Series A Notes.

The ratings of the La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 Certificates are linked La Hipotecaria Twelfth Mortgage-Backed Notes Trust Series A Notes.

The ratings of the La Hipotecaria Trust 2019-2 - 2019-2 Certificates are linked to the La Hipotecaria Fourteenth Mortgage-Backed Notes Trust Series A Notes.

Additional information is available on www.fitchratings.com

FITCH RATINGS ANALYSTS

Surveillance Rating Analyst

Kevin Lopez

Director

+1 312 606 3317

Fitch Ratings, Inc.

One North Wacker Drive

Chicago 60606

Committee Chairperson

Juan Pablo Gil Lira

Senior Director

+56 2 2499 3306

MEDIA CONTACTS

Elizabeth Fogerty
New York
+1 212 908 0526
elizabeth.fogerty@thefitchgroup.com

Applicable Criteria

Global Structured Finance Rating Criteria (pub. 02 May 2019)
Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 29 Jan 2020)
Single- and Multi-Name Credit-Linked Notes Rating Criteria (pub. 12 Feb 2020)
Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 06 Feb 2020)
Latin America RMBS Rating Criteria (pub. 07 Dec 2017)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

DISCLAIMER

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

COPYRIGHT

Copyright © 2020 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the

third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the

NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Endorsement Policy

Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.

Fitch Updates Terms of Use & Privacy Policy

We have updated our Terms of Use and Privacy Policies which cover all of Fitch Group's websites. [Learn more.](#)