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 OLTV 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

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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)

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