RMBS/Spain
Presale Report

Fondo de Titulización de Activos, UCI 17

Expected Ratings*

Class	Amount (EURm)	Final Maturity	Rating	CE (%)
A1	325.0	December 2049	AAA	8.30
A2	974.2	December 2049	AAA	8.30
B	72.8	December 2049	A	3.10
C	28.0	December 2049	BBB	1.10
D[a]	15.4	December 2049	CCC	0.00

[a] Uncollateralised note issued to fund the creation of the reserve fund at closing date

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* Expected ratings do not reflect final ratings and are based on information provided by the originator as at 16 April 2007. Final ratings are contingent on final documents conforming to information already received as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

Related Research

The following special reports provide additional detail on Fitch's rating approach to the RMBS market; all are available at www.fitchratings.com:

- "*Fitch Issuer Report Grades May 2006 Update*", dated 5 June 2006
- "*European Criteria for Mortgage Insurance in RMBS Transactions*", dated 18 April 2006;
- "*Spanish Mortgage Default Model III*", dated 15 September 2005;
- "*Commingling Risk in Structured Finance Transactions. Servicer and Account Bank Criteria*", dated 9 June 2004; and
- "*Counterparty Risk in Structured Finance Transactions: Swap Criteria*", dated 13 September 2004
- "A Guide to Cash Flow Analysis for RMBS in Europe", dated 20 December 2002.

16 April 2007

Summary

This EUR1,415.4m transaction is a securitisation of a static pool of first- and second-ranking residential mortgage loans and personal loans (together "the collateral") granted by Unión de Créditos Inmobiliarios EFC, S.A. (UCI, or the seller) to finance the purchase of residential property in Spain. Fitch Ratings has assigned expected ratings to the notes to be issued by Fondo de Titulización de Activos, UCI 17 (UCI 17 or the fund) as indicated on the left.

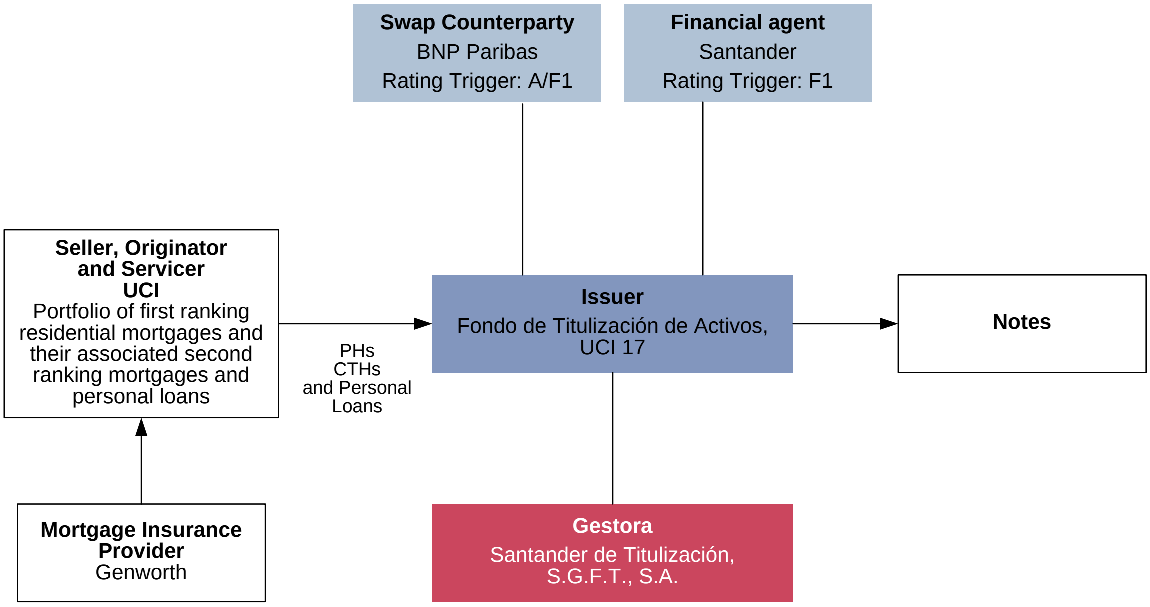
This is UCI's 16th securitisation and the fourth to be rated by Fitch. The originator of the assets, UCI, is an established mortgage lending company with operations in Spain and a presence in Portugal and Greece. UCI is equally owned by Banco Santander Central Hispano (Santander, rated 'AA/F1+') and BNP Paribas (rated 'AA/F1+'). As in previous transactions, the collateral incorporates, first- and second-ranking mortgage loans and personal loans, all variable rate and with features such as lower initial instalments and payment options. The credit issues raised by the collateral are summarised in the *Credit Committee Highlights* section and detailed in the *Credit Analysis* section below.

UCI 17 will be regulated by Spanish Securitisation Law 19/1992 and Royal Decree 926/1998. Its sole purpose will be to transform a portfolio of mortgage participations (*Participaciones Hipotecarias* or PHs), mortgage certificates *(Certificados de Transmisión de Hipoteca* or CTHs) and personal loans into fixed-income securities. The fund will be legally represented and managed by Santander de Titulización S.A. S.G.F.T. (the sociedad gestora), a limited liability company incorporated under Spanish law, whose activities are limited to the management of securitisation funds.

The expected ratings are based on the quality of the collateral, the underwriting and servicing capabilities of the seller, available credit enhancement (CE), the integrity of the transaction's legal and financial structure and the sociedad gestora´s administrative capabilities. The expected ratings of the class A1, A2, B, and C notes address payment of interest on the notes according to the terms and conditions of the documentation, subject to a deferral trigger on the class B and C notes, as well as the repayment of principal by the legal final maturity date of the fund. The class D notes will be issued to finance the creation of the reserve fund. The class D notes are ultimately likely to default and their rating is supported by the expected recovery rate for noteholders, that is, the amounts investors are likely to receive during the life of the transaction (see *Class D notes*).

To verify that the CE available for each class of notes is consistent with its respective rating, Fitch analysed the collateral using a loan-by-loan mortgage default model specific to Spain. The agency also modelled the cash flow contribution from excess spread using stress scenarios specific to its cash flow analysis, as well as those determined by its default model.

Structure Diagram



Source: Transaction documents

Credit Committee Highlights

- **Commingling Risk:** The seller, UCI, will continue to service the loans. In the event of the insolvency of UCI, the transaction is exposed to potential "commingling risk" as collected monies may become commingled with the insolvency estate of the defaulted party. ***Mitigated by:*** Collections will be swept daily into the issuer's account, held in the name of the fund at Santander. Moreover, as in previous UCI transactions, Santander will provide a guarantee whereby it will cover losses that may result from UCI's default as part of its obligation to service the loans. Moreover, if Santander is downgraded to 'F2' or lower and may thus be unable to cover these losses, the sociedad gestora will notify the obligors and provide them with payment instructions within five days or take any other action that is in line with Fitch's criteria. (see *Financial Structure* below).

- **Interest Rate Risk:** While the notes are linked to three-month Euribor and reset every quarter, the loans are all variable rate, with annual or semi-annual reset dates (12.7% and 87.3% of the global pool by value, respectively). The loans are based on the reference indices for mortgage loans from savings banks (IRPC) or 12-month Euribor (91.3% and 8.7% of the global pool by value, respectively). Moreover, 1.7% of the loans by value are charged an initial fixed interest rate. The last fixed-rate loan will revert to a margin over a reference index in December 2011. ***Comparison:*** In UCI 16, the distribution of the securitised pool by reference index was similar to the one of this pool but the loans with annual reset represented 20% of the pool and loans with an initial fixed interest rate represented 4.5% of the pool. Moreover, the fund did not enter into a swap agreement and was therefore exposed to basis and interest rate risk. ***Mitigated by:*** The fund will enter into a swap agreement with BNP Paribas (rated 'AA/F1+', the "swap counterparty") to hedge this basis and reset risk. Under this agreement, the fund will pay the weighted-average (WA) 12-month Euribor index rate to the swap counterparty, on a notional defined as the outstanding balance of performing and delinquent loans, thereby accounting for the reset distribution of the loans for the relevant 12-month period. In return, the fund will receive from the swap counterparty, on this same notional balance, three-month Euribor plus a margin to be determined at closing, ranging between -0.10% and 0%. As a result, the initial fixed interest rate of 1.7% of the loans and the difference between the IRPC index and 12-month Euribor for 91.3% of the loans is not hedged within the transaction. As IRPC is defined as the average of the interest rates charged by the different savings banks on mortgage loans, it naturally includes a margin over the 12-month Euribor. All margins on the

Key Information

Structure

Originator, Seller and Servicer : Unión de Créditos Inmobiliarios, EFC, S.A. (UCI)

Fund: Fondo de Titulización de Activos, UCI 17 (UCI 17)

Sociedad Gestora: Santander de Titulización S.A., S.G.F.T.

Paying Agent and Account Bank: Banco Santander Central Hispano (Santander, rated 'AA/F1+')

Swap Counterparty: BNP Paribas (rated 'AA/F1+')

Mortgage Insurance Provider: Genworth Financial Mortgage Insurance Limited (Genworth, rated 'AA')

Final Legal Maturity: December 2049

Provisional Portfolio Characteristics

Total Amount: EUR1,492m as of 19 March 2007 (of which EUR1,400m will be selected at closing)

Number of borrowers: 8,992

WA Original LTV per Borrower: 72.2%

WA Current LTV per Borrower: 71.6%

WA Indexed Current LTV: 75.0%

WA Remaining Maturity: 32 years

WA Seasoning: 9 months

loans above 12-month Euribor will be retained by the fund as available funds for the priority of payments.

- **High Margin Loans:** The WA margin of the portfolio over 12-month Euribor is 1.51%, as in UCI 16, given an estimated 1.1% differential between IRPC and 12-month Euribor. Fitch expects that this transaction will exhibit a high level of prepayments, particularly if borrowers are able to find additional support for the loans or a more competitive rate elsewhere. If borrowers paying higher margins repay their loans more quickly, the WA margin of the mortgages will decline and so with it the level of excess spread. ***Comparison***: On recent securitised portfolios of Spanish mortgage loans, the WA margin over 12-month Euribor usually ranges between 0.45% and 1.0%. UCI also provided historical data demonstrating that the WA margin earned on the pool of mortgages has remained stable in previous securitisations. Finally, and unlike previous UCI transactions, the seller will also transfer to UCI 17 the prepayment penalties paid by borrowers cancelling their mortgages. ***Mitigated by***: Fitch ran various stress tests on the key variables affecting the WA margin earned on the mortgages. After examining historical levels of the IRPC index versus 12-month Euribor paid by the notes, Fitch assumed a decreasing differential between the indexes over time. Fitch also accounted for WA margin compression by allocating all defaults and part of the prepayments to the highest margin loans in the portfolio. Finally, the cash flow analysis also assumes a high level of annual prepayments on the mortgages: the 'AAA' prepayment vector for Spain was used in all rating scenarios. Note, in its cash flow analysis, the agency did give credit to these prepayment penalties (see *Cash Flow Analysis* below).

- **Low Equity Borrowers:** UCI is a pioneer and specialist in the low-equity segment. For these borrowers, UCI offers first-ranking mortgages with an associated second-ranking mortgage or personal loan to finance the tranches above 80% property loan-to-value (LTV). Second-ranking loans and personal loans account for 1.6% and 3.3% of the securitised portfolio by value, respectively. ***Comparison:*** Some 65.2% of the borrowers have just one loan below 80% LTV, vs. 57.6% in UCI 16. ***Mitigated by:*** Some 10.9% of the pool by value benefits from individual co-guarantors required on a case-by-case basis by UCI. Moreover, UCI has contracted a mortgage insurance guarantee (the MIG) provided by Genworth Financial Mortgage Insurance Limited (Genworth, Insurer Financial Strength (IFS) rating, 'AA') in respect of 21.2% of the pool by value (28.8% in UCI 16). The insured balance represents 3.5% of the global portfolio (vs. 4.9% in UCI 16) since the MIG covers the tranche of the first-ranking loan and associated second-ranking or personal loan above a 78% LTV and up to 100%. Fitch gave partial credit for the MIG in its recovery rate calculation in all rating scenarios (see *Mortgage Insurance Treatment* below).

- **Affordability Products:** UCI offers products with lower initial instalments, designed to increase the affordability of housing for these low-equity borrowers. On their first-ranking loan and/or the associated loan, these borrowers may benefit from an instalment build-up feature during the first three years ("*Cuota Fácil*"), an initial fixed interest rate during the first three years and a principal grace period of up to five years. ***Mitigated by:*** To account for the possible payment shock once these features expire, Fitch increased by 5% the base-case default probability for all the loans of borrowers without a principal grace period but with the instalment build-up feature or an initial fixed rate on the first-ranking loan or on the associated loan (20.5% and 10.6% of the global pool, respectively). The default probability of loans with a principal grace period was increased by 15% (33.2% of the global pool). Moreover, in its cash flow analysis, Fitch calculated the adjusted amortisation schedule for these loans, including the possible capitalisation of interest on loans with an instalment build-up feature, in each interest rate scenario.

- **Payment Holiday Option:** Some 12.0% (11.9% in UCI 16) of the global pool by value benefits from a "joker" option whereby a borrower can elect to take a payment holiday and capitalise it once a year during the first three years of the life of the loan. ***Mitigated by:*** Historically, fewer than 2% of borrowers in UCI securitisations have exercised this option. Nonetheless, since more borrowers may exercise this option to avert default in a stress scenario, Fitch applied a 10% default probability hit to these borrowers. The amortisation schedule used in the cash flow analysis was also adjusted to include the extended amortisation profile and possible capitalisation of interest on loans exercising this option.

- **Inflation Protection Option:** Some 79.7% (81.5% in UCI 16) of the portfolio benefits from an inflation protection option whereby, during the first three years of the loan, borrowers with annual or semi-annual interest reset periods may ask to limit their instalment growth to a maximum of 100% or 200%, respectively, of the national inflation rate. ***Mitigated by****:* Historically, less than 0.5% of borrowers have exercised this option, even despite recent interest rate increases. Moreover, if more than 7% of them do so, excess spread will be trapped in the fund's treasury account. Fitch calculated that in a stress scenario, the restraints imposed on the cash flows from the collateral exercising this option would be diluted by this cash trapping mechanism. Since the percentage of borrowers effectively exercising this option is so small, the agency therefore assumed that a limited number of these inflation-linked options will be exercised before they expire, even in a 'AAA' scenario with high interest rates and inflation, and that the fund will not benefit from this cash-trapping mechanism.

- **Loans Backed by State-Regulated Properties:** Some 11.3% of the collateral by value is backed by *Viviendas de Protección Oficial* (VPOs), whose construction was subsidised by the Spanish local authorities. The sponsoring local authority holds a call option over the property at an official price, lower than the market price. After a specific administrative process, these properties may be sold in the open market, provided the sponsoring local authority does not exercise its call option. ***Comparison:*** VPOs represented 14.7% of UCI 16 collateral. Moreover, in the securitised portfolio, the maximum current LTV over the official price of VPOs has been set at 125%, whereas it was set at 160% and 140% in UCI 15 and UCI 16, respectively. ***Mitigated by:*** Borrowers have bought these properties at their current market value and UCI has ensured that the sponsoring local authority has permanently waived its call option. Moreover, if the OLTV over the legal price exceeds 120%, UCI requires individual third-party guarantors. Finally, UCI provided historical data demonstrating that there is no significant difference in the foreclosure process between VPOs and other type of properties. Nevertheless, Fitch calculated recoveries for these properties by applying the market value decline (MVD) stresses to the lower of the official property value and the indexed current market value.

- **Bridge Loans:** Some 35.0% (26.5% in UCI 16) of the collateral by value consists of "*Cambio de Casa*" loans, granted to borrowers purchasing a new home but who have not yet sold their current residence. These loans also benefit from a principal grace period of up to three years. Once a borrower sells his current property, he is expected to pay down the original loan amount so that the final loan reaches a maximum pre-agreed LTV over the new property. ***Mitigated by:*** Such loans benefit from a first-ranking mortgage over both the borrower's current and new property. Moreover, for these loans, Fitch adopted conservative assumptions when estimating the base-case default probability of these borrowers. First, the original LTV (OLTV) was calculated as the greater of the original LTV on both properties and the pre-agreed maximum final LTV. Second, since UCI provided debt-to-income (DTI) information on the final loan amount only, Fitch increased this DTI by one class to approximate the aggregate DTI ratio in the event that the borrower is unable to sell the property. Finally, in its cash flow analysis, Fitch also stressed the vector of annual prepayments in all rating scenarios.

Financial Structure

The issuer will be a limited-liability, special-purpose vehicle (SPV) incorporated under the laws of Spain, whose sole purpose will be to acquire the PHs, CTHs and the associated personal loans from the seller as collateral for the issuance of quarterly paying notes. The seller will continue to service the collateral. However, if it is unable to continue to do so adequately, the sociedad gestora will appoint a replacement administration company in accordance with the Spanish securitisation law.

The cash bond administration (CBA) function for this transaction will be carried out by the sociedad gestora, which is a special-purpose company with limited liability that is supervised by the Comisión Nacional del Mercado de Valores (CNMV). Santander de Titulización S.A., S.G.F.T. was incorporated under the laws of Spain in 1992 and it is owned by Santander (81%) and Santander Investment S.A. (19%). Its activities are limited to the management of securitisation funds (39 as of March 2007).

After closing, the sociedad gestora will complete cash reconciliation, waterfall calculations and related reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer or of the account bank, if applicable.

Interest and principal collections from the loans will be handled jointly through the combined priority of payments, which is described below. Unlike previous UCI transactions, the seller will also transfer to UCI 17 the prepayment penalties paid by borrowers cancelling their mortgages. However, the agency did not give credit to these prepayment penalties.

A treasury account, held in the name of the fund at Santander, will receive all incoming cash flow from UCI's collection account on a daily basis. Amounts standing to the credit of this account will receive a guaranteed interest rate equal to three-month Euribor. The transaction documents also stipulate that if UCI becomes insolvent, or when the sociedad gestora considers it appropriate, the seller will be required to notify the obligors and to provide them with payment instructions within five days. Moreover, Santander will provide a guarantee whereby it will cover any losses that may result from UCI's default as part of its obligation to service the loans. Moreover, if Santander is downgraded to 'F2' or lower and may thus be unable to cover these losses, the sociedad gestora will notify the obligors and provide them with payment instructions within five days or take any other action that is in line with Fitch's criteria. For more information on Fitch criteria for commingling risk, please see the report "*Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria*", dated 9 June 2004 and available at www.fitchratings.com.

Regarding the treasury account, if Santander is downgraded below 'F1', the sociedad gestora will be required to transfer the account to an entity rated at least 'F1' within 30 working days.

Priority of Payments

On each quarterly payment date commencing in September 2007, revenue payments will be allocated in the following combined order of priority:

- senior fees and expenses;
- payment under the swap agreement (if applicable);
- interest due on the class A1 and A2 notes, sequentially;
- interest due on the class B and C notes, sequentially, unless deferred;
- principal due on the class A1, A2, B, and C notes (see *Amortisation of the Notes)*;
- deferred class B and C notes interest sequentially, if any;
- replenishment of the reserve fund (see *Reserve Fund*);
- interest and principal due on class D notes (see *Class D Notes*); and
- subordinated amounts, including payment due under the swap in the event of a swap counterparty default; interest and amortisation of the subordinated loan and UCI's fixed and variable servicing fee.

Note that the principal due amount is defined as the difference of a) the outstanding balance of the class A1 to C notes; minus, b) the current balance of non-defaulted loans, net of the outstanding balance of loans provisioned (see *Provisioning Mechanism*). This mechanism allows the transaction to anticipate losses compensating them with excess spread. Available funds for amortisation are defined as the minimum of a) the principal due amount; b) revenue payments after interest due on the class A1 to C notes have been paid. The amortisation deficit is defined as the difference, if any, between available funds for amortisation and principal due amount.

According to the waterfall, interest due on the class B notes will be deferred when the class A1 and A2 notes have not amortised in full and if the principal due amount on the A1 and A2 notes is larger than the available funds after interest on the class B notes has been paid. Similarly, interest due on the class C notes will be deferred if the class A1, A2, and B notes have not amortised in full and if the principal due amount on class A1 to B is larger than the available funds after interest on the class C notes has been paid.

Additionally, interest due on the class B and C notes may also be deferred if the cumulative rate of defaults exceeds 9.5% and 12% of the original collateral balance, respectively. Note that this default ratio is defined as the outstanding balance of loans more than 18 months in arrears (excluding recoveries) as a proportion of the original collateral balance.

According to the terms and conditions of this transaction, interest due on the notes but not paid will be capitalised at the interest rate applicable to the corresponding note.

Provisioning Mechanism

As in previous UCI transactions, the fund benefits from a provisioning mechanism whereby the outstanding balance of loans in arrears will be progressively written off using available excess spread, depending on their current LTV (CLTV) and whether they benefit from a Mortgage Insurance Guarantee (MIG). The tables below summarise the percentage of the outstanding loan balance that will be provisioned for at each point in arrears, depending on its CLTV bucket or MIG status:

Provisioning for First-Ranking Mortgage Loans

CLTV/months in arrears (%)	18	24	36	48
>80	100	–	–	–
60–80	50	25	25	–
40–60	25	25	25	25
<=40	0	0	25	50

Source: Transaction documents

Provisioning for Second-Ranking Mortgages and Personal Loans

Loan insurance/months in arrears	18	24	27
Without MIG	100	–	–
With MIG	25	25	50

Source: Transaction documents

Amortisation of the Notes

Principal redemption of the notes will be sequential, beginning with class A1 notes and only moving through the remaining classes down to the class C notes once they have been redeemed in full. The legal maturity of all the notes is December 2049.

Exceptionally, if the outstanding balance of the class A1 and A2 notes is higher than the collateral balance then the A1 and A2 notes will amortise on a pro rata basis.

The class B and C notes will amortise sequentially on a pass-through basis after the class A1 and A2 notes have been redeemed. However, once the class A1 notes have been redeemed in full, the class A2, B and C notes may amortise pro rata if:

- credit enhancement for the class A2 notes has doubled since closing;
- the outstanding balance of loans more than 90 days in arrears does not exceed 2.0% of the then-outstanding collateral balance;
- the amortization deficit is less than 100% of the outstanding class D balance;
- the reserve fund is fully funded to its required level;
- the outstanding balance of the collateral is higher than 10% of the initial balance.

The amortisation profile of the class D notes has been structured to mirror the amortisation profile of the reserve fund. Principal funds available for the amortisation of the class D notes will be limited to the cash released from the reserve fund. The reserve fund is subject to a floor based on 90 days+ arrears level of the portfolio and ranging between 0.80% and 0.40% of the initial balance of the class A1, A2, B, and C notes.

Call Option

All the notes, excluding the class D notes, are subject to a clean-up call that the sociedad gestora has the right to exercise when less than 10% of the initial collateral remains outstanding. The clean-up call will only be executed if the then-outstanding balance of the class A1 to C notes is redeemed in full. The clean-up call does not guarantee the full or partial redemption of the class D notes.

Swap Agreement

The fund will enter into a swap agreement with BNP Paribas (rated ‘AA/F1+’, the “swap counterparty”) to hedge the basis and reset risks arising from the mismatch between the 12-month Euribor and IRPC index paid on the loans with annual and semi-annual reset dates (12.7% and 87.3% of the global pool by value, respectively) and the three-month Euribor rate, resetting quarterly, that is payable on the class A1 to D notes. Under this agreement, the fund will pay the WA 12-month Euribor index rate to the swap counterparty, on a notional defined as the outstanding balance of performing and delinquent loans, thereby accounting for the reset distribution of the loans for the relevant 12-month period. In return, the fund will receive from the swap counterparty, on this same notional balance, three-month Euribor plus a margin to be determined at closing, ranging between -0.10% and 0%.

Note that the swap does not hedge the difference between the initial fixed interest rate on 1.7% of the loans and the difference between the IRPC index and 12-month Euribor for 91.3% of the loans. As IRPC is defined as the average of the interest rates charged by the different savings banks on mortgage loans, it naturally includes a margin over the 12-month Euribor. All margins on the loans above 12-month Euribor will be retained by the fund as available funds for the priority of payments.

If the swap counterparty is downgraded below 'A/F1', this entity will, within 30 days, take one of the following steps: (i) find a replacement counterparty rated at least 'A/F1'; (ii) find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; (iii) cash- or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria; or (iv) take any other action that is in line with Fitch's criteria.

If the swap counterparty is downgraded below 'BBB+/F2', it will, within 30 days, take one of the following steps: (i) cash- or security-collateralise its obligations in an amount sufficient to satisfy existing Fitch criteria, (ii) find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement; or (iii) take any other action that is in line with Fitch's criteria. Collateral posting will only be an option if the mark-to-market calculations and the correct and timely posting of collateral are verified by an independent and qualified third party. Upon a further downgrade below 'BBB', the swap counterparty's only actions will be to: (i) find a replacement counterparty rated at least 'A/F1'; or (ii) find an entity rated at least 'A/F1' to guarantee its obligations under the swap agreement. More information on Fitch's standards for swaps can be found in the special report *"Counterparty Risk in Structured Finance Transactions: Swap Criteria"*, dated 13 September 2004 and available at www.fitchratings.com.

Reserve Fund

A reserve fund will be funded at closing using the proceeds of the class D notes. The initial reserve fund amount will be 1.1% of the initial balance of the class A1, A2, B and C notes. Three years after closing, the reserve fund may begin to amortise if it represents 2.2% of the outstanding portfolio balance, if there is no amortisation deficit, if the WA coupon of the pool is at least 0.40% greater than that on the notes and if more than 10% of the collateral remains outstanding. The reserve fund may then amortise to the greater of:

1. 2.2% of the then-outstanding balance of the portfolio; and
2. the following schedule based on 90 day+ arrears levels as a percentage of the current portfolio balance:

Reserve Fund Floor

Reserve fund floor as a % of the initial class A1, A2, B and C notes	90 days + arrears (%)
0.40	<0.75
0.70	0.75–1.25
0.80	>1.25

Source: Transaction documents

Credit Enhancement

In addition to excess spread, the transaction will benefit from initial CE provided by subordination and the reserve fund. This will total 8.30% for the class A1 and A2 notes, 3.10% for the class B notes and 1.10% for the class C notes.

Legal Structure

At closing, the seller will transfer the mortgage and personal loans to the sociedad gestora on behalf of the fund. The personal loans will be transferred by the seller as per the Spanish Civil Code. However, under Spanish law, mortgage loans are not actually transferred, as this would entail a lengthy process of re-registering the mortgages at the property registry. Instead, mortgage originators are permitted to issue mortgage participations (PHs) and, since the new Finance act of December 2003, mortgage certificates (CTHs). Mortgages transferred in the form of PHs are subject to certain restrictions with which CTHs do not have to comply. In particular, PHs must be first-ranking mortgages, with a current LTV below 80%, and the properties underlying the mortgage must be properly insured.

Some 90.8% of the overall portfolio will be formally transferred to the fund through the issuance of PHs that meet all the aforementioned criteria. First-ranking loans and second-ranking loans transferred in the form of CTHs represent 4.2% and 1.6% of the overall portfolio. The remaining 3.3% of the pool will be transferred to the fund under the form of transferred personal loans.

Representations and Warranties

The seller will provide representations and warranties in relation to the collateral, including:

- each loan finances the purchase, refurbishing or building of a residential property in Spain;

- the seller has full right and title to, and the power to sell and transfer the first-ranking mortgage loans and their associated second-ranking or personal loan;
- each mortgage loan is registered in the relevant property register and represents a first-ranking or second-ranking claim on the corresponding property;
- each personal loan associated with a first-ranking mortgage loan is publicly registered;
- all loans have been fully disbursed;
- all the properties have undergone a valuation by a unique property appraiser registered with Bank of Spain;
- the seller has not been made aware of any of the underlying properties becoming subject to a reduction in value of more than 20% since acquisition;
- none of the mortgages or associated loans are more than 30 days delinquent at closing.

No search of title will be conducted by the fund or other transaction parties, which will, instead, rely on the representations and warranties mentioned above. Following an irremediable breach of any of the representations or warranties, the seller will be required to replace or repurchase the loan(s) in question.

Provisional Collateral

As at 19 March 2007, the overall reference portfolio included 11,713 first- and second-ranking mortgage loans and personal loans granted to 8,992 borrowers to finance the purchase of a residential property in Spain. These loans were granted by UCI in the normal course of its business.

Fitch analysed the collateral by taking into account the total loan balance per borrower, adding together the first-ranking mortgage and the associated second-ranking mortgage or personal loan. In its recovery calculations, Fitch calculated the indexed value of the underlying properties, either increasing the property value by 50% of any rise or reducing it by 100% of any drop in regional average property prices since each of the loan's valuation dates.

According to this calculation, the WA indexed current LTV per borrower of the pool is 75.0%, which is higher than the WA OLTV (72.2%) and the WA CLTV (71.6%). This is because:

- some of the loans were granted to low-equity borrowers whose relatives' property has been taken as additional security until part of the loan balance has amortised;
- some of the loans are backed by VPOs (11.3% of the collateral), which are constructed with subsidies from Spanish local authorities. Although the borrowers have bought these properties at their current market value, in future transactions, a VPO may be sold at a market price higher than the official value if the property has been declassified as a VPO through a specific legal and administrative process. For these properties, Fitch calculated the indexed current property price as the lower of the official property value and the indexed current market value.

Description of UCI's Loan Products

"Préstamo Jóven" Loans

This mortgage product targets young first-time buyers and represents 33.0% of the pool by value (41.6% in UCI 16). An initial principal grace period is granted up to the fifth year of the loan, or the borrower's 40th birthday, whichever is earlier.

"Cambio de Casa" Loans

These are bridge loans granted to borrowers purchasing a new home but who have not yet sold their current residence. They account for 35% of the pool by value (26.5% in UCI 16). As at the date of loan origination, these loans benefit from a first-ranking mortgage over both the borrower's current and new properties. Once the borrower sells his current property, he is expected to pay down the original loan amount allocated to the mortgage using proceeds from the property sale. In some cases, these loans may have both partial interest and principal grace periods during the first two years. The borrower also contracts to sell his current property within two years; if this fails to happen, he will begin to pay down the outstanding mortgage loan (which at that time will be backed by the two properties). In UCI's experience, the average time taken to sell a property is nine months.

"Cuota Fácil" Loans

Some 20.5% of the pool by value is "easy instalment" loans (19.0% in UCI 16). During the first three years of the loan, borrowers can set the payment schedule, including a portion of the accrued interest and principal amounts. As a result, interest on the loan may be capitalised during this period and the borrowers may experience a significant payment shock when the loan reverts to standard repayment of principal and interest.

Mortgage Insurance

Some 21.2% of the global pool by value benefits from a MIG provided by Genworth ('AA'), the European subsidiary of Genworth Financial Inc. ('A+'), which is a leading insurance holding company in the US. The insured balance represents 3.5% of the global portfolio since the MIG covers the tranche of the first-ranking loan and associated second-ranking or personal loan above a 78% LTV and up to 100%.

According to the master insurance policy between Genworth and UCI, coverage excludes certain losses, in particular losses due to fraud or *force majeure* events, and loans must comply with a set of eligibility criteria. These criteria and UCI's representations and warranties under the terms of the policy are consistent with those included in typical securitisation transactions. On a monthly basis UCI will send Genworth all the files in electronic format and Genworth will run an initial audit. Additionally, on a quarterly basis and based on statistical samples, Genworth will ensure that the loans comply with the eligibility criteria.

Provisional Portfolio Summary

Pool characteristics	
Current principal balance (EURm)	1,492.1
Number of loans	11,713
Number of borrowers	8,992
Average total original loan balance per borrower (EUR)	173,742
Average total current loan balance per borrower (EUR)	165,945
WA original LTV per borrower (%)	72.2
WA current LTV per borrower (%)	71.6
WA indexed current LTV per borrower (%)	75.0
Oldest loan in portfolio	August 1997
Most recent loan in portfolio	December 2006
Interest rate type	
Floating-rate loans (%)	100
WA interest (%)	4.68
Interest index	91.3% IRPC 8.7% 12M-Euribor
WA margin[a] (%)	1.51% over 12 month Euribor (0.50% over IRPC, 0.63% over 12M-Euribor)
Payments	
Payment method	100% Direct debit
Loans >30 days in arrears (%)	0
Regional concentration (%)	
Region of Andalusia	25.9
Region of Madrid	13.5
Region of Catalunya	15.2
Lien position (%)	
First-ranking	95.1
Second-ranking and personal loans	4.9

[a] Includes an added differential of 1.1% for loans with rates based on IRPC
Source: Fitch – based on the provisional portfolio as of 19 March 2007

Under the terms of the policy, the maximum claimable amount is calculated as:

- A + B - C - D - E - F - G;
- A+ B = loan principal plus ordinary loan interest up to 48 months in arrears;
- C = auction proceeds;
- D = amounts received from borrowers' guarantors;
- E = additional amounts received by UCI to reduce losses;
- F = set-off amounts (if any);
- G = indemnity amounts received from property insurance (if any).

The claimable amount will be capped at a maximum value resulting from the difference between the original LTV and 78%, multiplied by the original appraised property value. Legal expenses will be excluded from the maximum claimable amount.

The terms of the agreement between UCI and Genworth include an accelerated payment programme first introduced for the UCI 16 transaction. Under the previous terms, the claim was only due when the loss crystallised, that is, after UCI's disposal of the property following foreclosure on the loan and the auctioning of the property. Under the terms of the new agreement, the accelerated payment programme allows UCI 17 to receive the maximum claim amount covered by Genworth 24 months after the borrower has entered into default (defined as 90 days in delinquency). Hence, the fund will receive one of the following amounts:

- if UCI has already suffered the loss covered under the master mortgage insurance policy, Genworth will pay the corresponding amount in accordance with the formula described above;

- if, in the 27th month of delinquency, the loss has not yet crystallised, Genworth will pay the maximum pre-agreed claimable amount. Should the final, crystallised loss, be less than this pre-agreed amount, Genworth will not hold any secured or preferential claim against the fund. Instead, the terms of an agreement between UCI and Genworth specify that all amounts will be settled exclusively between UCI and Genworth, even in the event of UCI's bankruptcy.

Fitch has worked with legal advisors to review the contract. The agency feels comfortable that this contract prevents Genworth from having a secured or preferential claim on the issuer that could adversely affect noteholders.

Origination and Servicing

As part of its analysis, Fitch made an on-site visit to review and analyse UCI's origination and servicing guidelines. UCI was incorporated in 1988 as a specialised monoline mortgage lending company. UCI is equally owned by Santander and BNP Paribas. In 1999, UCI began its commercial expansion in Portugal and moved into Greece in 2003. As of March 2007, UCI had a EUR9.9bn asset portfolio in Spain, 62% of which it has securitised though Spanish RMBS transactions.

Origination

In addition to a diversified client base, UCI targets young households with a limited employment history and other clients that are usually not well served by the traditional banks. The bank will typically charge a higher interest rate to the borrowers than the level offered by the average Spanish bank.

UCI originates residential mortgage loans to individuals mainly through a network of 12,000 Spanish real estate professionals and intermediaries. These agents bring business to UCI via one of its 67 branches located throughout Spain. UCI is Spain's market leader for loans originated via this channel. The main responsibility of the branches is to manage the relationships with these agents and the application process; they are not meant to receive the final client. Each branch comprises a manager and six or seven commercial agents, each managing about 30 real estate professionals. On a monthly basis, UCI monitors the delinquency and defaults statistics of the commercial agents and of the real estate agents.

Some 90% of loan originations are performed via intermediaries; the remaining 10% are originated through:

1. loan subrogations from real estate development (RED) loans (no such loans are included in this transaction);
2. new mortgage loans from existing clients;
3. the internet; and
4. referrals and special agreements with other financial institutions.

Underwriting

UCI has obtained an ISO 9001 certification for its origination and underwriting process. Mortgage servicing and risk decision-making is centralised in Madrid. UCI estimates that a loan application is usually examined within a month.

Scoring and Authorisation Levels

All loans are supported by a credit score. UCI launched its first scoring system in 1993, and in 1999 it was the first Spanish mortgage loan originator to obtain endorsement for its scoring model for statistical provisioning purposes from the Bank of Spain. In 2002, UCI launched the fourth version of its scoring system. This version defines seven scoring grades.

To ensure the consistency and stability of the database, the coding process is highly codified. The basic information of the loan application is inputted by the commercial agent, along with the scanned copies of supporting documents (loan application, insurance record, last three paychecks and last income tax statement). However, borrower data is ultimately entered into UCI's system by non-commercial agents. Up to December 2006, this process was managed by external management companies. The process is now centralised in UCI's offices.

For instance, DTI is always calculated using the same criteria, whereby no credit is given to variable elements and variable-rate debt interest payments are computed after grace periods and teaser rates expire and with a stressed interest rate. UCI provided DTI data on a loan-by-loan basis, ranging from 1% to 100%. Unlike most Spanish originators, UCI does not set standard authorisation levels according to the size of the transaction or maximum levels of DTI or LTVs. Instead, it depends on a combination of quantitative criteria, such as the results of the scoring system, and on qualitative risk criteria emerging from the analysis of the transaction features. Note, however, that loans underwritten with a mortgage guarantee from Genworth must have a maximum DTI of 40% if the OLTV is higher than 95% and a maximum DTI of 45% if the OLTV is below 95%.

Since 2005, depending on the output of the credit score and the characteristics of the application, the loan is underwritten either at the branch or by analysts at Central de Autorizaciones Nacional (CAN), UCI's underwriting department. Before 2005, all applications were underwritten at CAN.

Branch managers may participate in the loan approval process provided they have more than four years' experience, the loan application is less than EUR300,000 and it is a simple one (no refinancing or bridge loan, for instance) Overall, 19 branch managers currently underwrite less than 40% of UCI's mortgage book. Nevertheless, UCI central offices audit about 55 to 60% of loans underwritten by branch managers.

All other applications are underwritten at CAN. CAN analysts have been delegated approval authorities according to their experience and have spent at least five years in a similar post. These analysts verify the relevant documents, check the borrower's income and references and, depending on their status, can ultimately approve transactions. Special cases, such as large loans, are approved by credit committees. Final loan approvals are subject to final documentation and loan appraisal. If the application requires it, UCI may ask for it to be completed with an insurance policy (life insurance, unemployment insurance, mortgage insurance), a third party guarantee (e.g. parents) or it may ask to take a security over an additional property (a second home or the borrower's parents' home). UCI estimates that of all mortgages approved, c. 16% are analysed only once. The rest undergo an average of three reviews before being approved.

UCI's sophisticated systems have also provided the agency with high-quality data that was used in Fitch's analysis of the transaction.

Analysis of Borrowers' Applications

The employment history of the applicant is analysed, including their employment status (self-employed/employed), the number of years spent in their current post and their track record in the professional field. If this analysis indicates an unacceptable or erratic employment history, additional guarantees will be required (e.g. third-party personal guarantees). Income is verified with the last three payslips of full-time employees and the most recent tax return of all applicants. Borrower and guarantor credit histories are systematically verified with credit bureaux:

- for all borrowers, they are verified with ASNEF, which pools negative information from all credit institutions and some other companies such as telecoms;

- for all loans with OLTVs above 80%, for applicants with negative information on ASNEF and for all self-employed applicants, credit histories are verified with CIRBE, the central bank's bureau, which contains data on outstanding loan amounts within the financial system per product type.

UCI will reject the loan application outright if the borrower has any overdue exposures that exceed EUR1,200 or are more than 12 months overdue. For overdue exposures up to this amount and up to one year in arrears, UCI will analyse the application and senior approval may be granted. According to UCI, most of these cases are overdue mobile phone bills. If the overdue amount is reported by a credit institution, UCI's policy is to reject the loan. If the borrower refuses to provide authorisation for the ASNEF check, the loan application is rejected.

Property valuations are conducted on an exclusive basis by Valtecnic (Sociedad de Tasación), a Bank of Spain-registered company with whom UCI has been working for the past 17 years. Note that UCI audits any application where the differential between the property valuation and the property purchase price is greater than 15%. UCI also monitors Valtecnic property valuations by requiring a new valuation when a property is foreclosed.

The maximum LTV for all self-employed borrowers is 70%. Civil servants with an additional third party guarantor may borrow up to an LTV of 120% (across their mortgage and associated personal loans advanced by UCI).

Underwriting Criteria for Bridge Loans

The *Cambio de Casa* facility comprises a loan for the purchase of a new property and a bridge loan for the sale of the existing property. The aggregate OLTV is subject to an approval limit of 100%.

Within this aggregate limit, UCI underwrites the loan based on the LTV after the sale, set at a maximum of 80%. UCI agrees this forward LTV amount with the customer, and will only release the mortgage on the existing property at the moment of the sale if a proportion of the proceeds is used to amortise up to the amount needed to reach this agreed forward LTV. DTI is calculated according to the LTV after the sale, with a standard stressed interest rate of 5%.

Underwriting Criteria for VPOs

VPOs are social housing properties sponsored by local governments with protected resale prices. This social housing scheme is regulated by a myriad of regulations ranging from a string of royal decrees dating back the 1960s to specific regional regulations.

These properties are targeted at low-income and first-time buyers. However, the criteria to qualify for them are varied and a much broader range of buyers seek to obtain them than those originally targeted. The local authorities hold a call option over the property at a pre-specified initial official value linked to the construction cost of the property. This call option may last up to 25 years.

A VPO may be sold at a market price higher than the official value if the property has been declassified as a VPO through a specific legal and administrative process or if the local authority decides not to exercise its call option.

Loans for VPOs are underwritten by a specific department in UCI. Property appraisals include both the current market value and the legal price at which the relevant local authority may exercise a call option. If a borrower wants to buy a VPO above this official price, UCI always ensures that the local authority has certified that it will not exercise its call option. Moreover, if the OLTV over the legal price exceeds 120%, UCI requires third-party guarantors. Finally, in the securitised portfolio, the maximum current LTV over the official price of VPOs has been set at 125%, whereas it was set at 140% in UCI 16.

Servicing

UCI currently services over 125,000 loans. All loan repayments are made via direct debit on the fifth of each month; 95% of the borrowers in the pool have an account with Santander, the fund's account bank.

The servicing department comprises:

- an external call centre with 25 operators supervised by two managers from UCI. This centre deals with about 1,600 calls per day related to daily account management such as changes to administrative data and prepayments;

- an advisory team of 10 people, which supports the call centres and the branches.

Arrears Management

All arrears are managed first by UCI's personalised recovery department, "*Cobro amistoso personalizado*" (CAP), which consists of an external call centre with 18 operators supervised by a manager from UCI and an internal team of 11 advisors. More serious arrears are dealt by the litigation department (six people) with the support of external lawyers.

Any unpaid instalment will automatically trigger the re-debiting of the unpaid amount. UCI will continue to try to collect any missed payment or payments until the seventh consecutive rejection. Clients are called by UCI's external call centre of 17 operators, which informs them of their current delinquency. UCI estimates that 87% of delinquencies to date have been resolved in the month in which they occurred.

Once a borrower has missed more than one instalment, CAP will contact the borrower to resolve the default as soon as possible, based on his or her current financial situation. The CAP may contact third-party guarantors at this stage. UCI estimates that, at this stage, 30% of the borrowers return to performing status.

Once the borrower has more than three unpaid instalments, the CAP will investigate the reasons for the debtor's liquidity problems. A new payment plan will be proposed once the issues have been identified. To qualify, the borrower will be required to reimburse some of the amounts owed. Typically, the payment plan will be drafted for six months.

If four instalments are missed, and no personalised solution can be reached, the case is transferred to the litigation department (JUR). This team comprises a manager and five advisors working with four external law firms and a network of 200 legal assistants or "procuradores". At this stage, an amicable solution is usually still possible. According to UCI, approximately 70% of cases at this stage of delinquency have been resolved. Solutions have included:

- reimbursement of unpaid instalments, including loan prepayment: 40% of cases; and
- private sale of the financed property: 30% of cases.

Foreclosure, Repossession and Sale

UCI has indicated that, on average, the litigation process takes 15 months to reach foreclosure. UCI will either repossess the related property and sell it at a profit (depending on market conditions in Spain) or hire a real estate agent to sell the property to a third party.

For VPOs, UCI performs any de-classification procedures required to be able to sell the property. Historical data show no major difference in the foreclosure process between VPOs and other type of properties.

■ Credit Analysis

Fitch analysed the collateral for UCI 17 by subjecting the mortgage loans and associated personal loans to stresses resulting from its assessment of historical home price movements and defaults in Spain. Its analysis is based on the probability of default and expected recoveries for the portfolio's individual loans (see *Appendix 1*).

Default Probability

Generally, the two key determinants of default probability are a borrower's willingness and ability to make their mortgage payments. Willingness to pay is usually measured by LTV. Fitch assumed higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason for this is that, in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, thereby eliminating the need for the lender to repossess the property.

Fitch considered the specific characteristics of the product in its default probability analysis of the portfolio. The combined original LTV, based on the sum of the original balances of the first-ranking and associated second-ranking or personal loan, is used as the main measure of a borrower's willingness to pay. For bridge loans, the original LTV is calculated as the higher of the original LTV on both properties and the pre-agreed maximum final LTV.

Ability to pay is usually measured by the mortgage payment in relation to the borrower's net income. Fitch received DTI information on each loan in the portfolio. In the calculation of WA DTI used in its analysis, Fitch adjusted DTI upwards for the bridge loan borrowers as described below. Taking this into account, the agency's DTI ratio for the pool is 40.4%. Within a 'AAA' real estate recession, a bridge loan borrower's ability to sell the first property will be seriously hampered. To account for this risk, Fitch assumed that the previous property would be retained by the borrower, and therefore based the default probabilities for these loans on the aggregate DTI ratio assuming that the borrower would be financing both properties.

Once base-case default probabilities were calculated using these LTVs and DTIs as parameters, Fitch adjusted them on a loan-by-loan basis to account for the following loan or borrower characteristics:

- The portfolio includes products with lower initial instalments designed to increase the affordability of housing. To account for the possible payment shock once these initial features expire, Fitch increased by 5% the base-case default probability of the total exposure of borrowers without a principal grace period but with an instalment build-up feature or with an initial fixed interest rate on one of their loans (20.5% and 10.6% of the global pool, respectively). The default probability of loans with a principal grace period was increased by 15% (33.2% of the global pool).

- 12.0% of the global pool by value benefits from a "joker" option whereby a borrower can elect to take a payment holiday and capitalise the missed payments once a year during the first three years of the life of the loan. Since, in a stress scenario, more borrowers may exercise this option to avert default, Fitch applied a 10% default probability hit to these borrowers.

- Because loans to self-employed borrowers (5.7% of the pool) are more susceptible to economic cycles and business interruption, Fitch increased the default probability on them by 20%.

- The default probabilities of loans granted for the purchase of second homes, which represent 5.0% of the portfolio by value, have been adjusted upwards by 15%.

Recovery Proceeds

To estimate recoveries on the mortgage loans, Fitch examined house price movements in Spain on a regional basis from 1987-2005 and found significant differences – most notably between Madrid, Catalunya and the Basque Country, and the other regions. Cities in these three regions have registered higher price increases than elsewhere in Spain. Based on its analysis of the real estate market, Fitch assumed marginally larger MVDs for certain regions and for some large urban areas.

UCI reported the value of each of the properties backing the loans. Asset recovery rates were calculated for collateral property and grouped on a loan-by-loan basis using Fitch's standard RMBS methodology.

11.3% of the collateral by value is backed by VPOs over which the sponsoring local authority may exercise a call option at a lower, official price. Fitch calculated the recoveries for these properties by applying the MVD stresses to the lower of the official property value or of the indexed current market value.

Fitch has increased MVDs for higher-value and lower-value properties. These are generally subject to greater MVDs in a deteriorating market than homes with average or below-average market values for reasons of limited demand. Fitch deems approximately 1.2% of the provisional pool to be secured on such illiquid properties.

When calculating recovery values, the agency's model reduces each property's worth by the MVD, external foreclosure expenses and the cost to the servicer of carrying the loan from delinquency through to default. This cost depends on the time to foreclosure as well as the interest rate applied, which Fitch assumes to be 10%. UCI currently reports a recovery period of 15 months from the launch of the foreclosure process. Fitch has assumed a time to foreclosure of three years to account for the recovery timings under distressed real estate market conditions.

Personal Loan Recovery Rates

In this transaction, the associated personal loan agreements contain cross-default clauses with the related first-ranking mortgage in favour of the lender. Under the Spanish Civil Code, whether the loans are performing or in arrears, the borrower's payments will be applied first to the personal loan and then to the mortgage loan, unless the borrower is declared insolvent or does not agree with this procedure.

Recovery proceeds following mortgage enforcement can only be applied to the personal loans if the borrower has not been declared insolvent. Under the terms of the new insolvency regime enacted in 2003, Fitch understands that set-off rights between the parties expire if the borrower is declared insolvent. That is, if the borrower is insolvent, the lender does not have the right to set off any residual amounts from the proceeds of the mortgage enforcement against the personal loan. UCI is not a deposit-taker. According to information received from legal counsel, very few retail borrowers apply for personal insolvency in Spain.

31.8% of the borrowers with a mortgage and an associated personal loan do not benefit from a MIG (23.6% in UCI 16). In this case, the borrowers were assumed to apply for personal insolvency and therefore no credit was given to recoveries under the unsecured loan-part.

The remaining 68.2% of the borrowers with a mortgage and an associated unsecured loan benefit from the MIG provided by Genworth. In these situations, the WA recovery rates are relatively impervious to a scenario where the borrowers apply for insolvency at loan foreclosure. If this occurs, the recovered amounts related to the MIG will increase the recovery proceeds on the first-ranking loan.

Mortgage Insurance Treatment

Fitch gave partial credit for the MIG in its recovery rate calculation for all rating scenarios. More information on Fitch's standards for MIG providers can be found in the special report *"European Criteria for Mortgage Insurance in RMBS Transactions"*, dated 18 April 2006 and available at www.fitchratings.com.

Fitch gave credit to the MIG based on the specific characteristics of the policy, the rating scenario and, the IFS rating of Genworth (rated 'AA'). The shortfall on MIG payments also depends heavily on the overall relationship between the insurer and the insured party. Fitch assesses the quality of the relationship via its operational risk and quality adjustment (ORQ), which aims to capture the risk arising from denied and reduced claims and rescissions. ORQ assessments range from very good quality (ORQ1) to low quality (ORQ5). In this transaction, the MIG was attributed an intermediary ORQ3 adjustment. An ORQ3 level signifies an established and smoothly running relationship in processing mortgage insurance between an experienced insurer and an established prime lender, who typically has at least two years' experience working with the MIG.

As a result, recoveries from the MIG were calculated by applying the product of the following two haircuts to the maximum insured amount underwritten by Genworth on a loan-by-loan basis:

Mortgage Insurance Adjustments

Adjustment/ note rating (%)	AAA	A	BBB	BB	B
Operational risk and quality adjustment ORQ3	86.0	89.0	90.5	91.5	92.5
Insurer financial strength rating 'AA'	75	100	100	100	100

Source: Fitch

Fitch also modelled the timing of the recoveries from the MIG according to the terms of the agreement between UCI and Genworth, as detailed in the *Mortgage Insurance* section above.

Cash Flow Analysis

To evaluate the contribution of structural elements such as excess spread, the reserve fund and other factors, Fitch modelled the cash flows from the mortgages based on the WA recovery rate (WARR) and WA frequency of foreclosure (WAFF) provided by the loan-by-loan collateral analysis. Recoveries included both interest and principal.

The cash flow model assumes that defaults are spread over the first seven years following the closing date of the transaction. The analysis simulates the cost of carrying defaulted loans as the difference between the performing balance of the mortgages and the notional note balance. Excess spread, the reserve fund and principal must be sufficient to cover the cost of carry until recoveries are received after 36 months. The provisioning mechanism incorporated into this transaction will reduce the cost of carrying the defaulted loans as these will be progressively amortised using available excess spread.

Fitch ran various tests on the key variables affecting cash flows generated by the portfolio, including prepayment speed, interest rates, default and recovery rates, recession timing, WA margin compression and delinquencies. The agency also modelled cash flows received from the loans according to their particular features, as detailed below.

- Features of UCI's products such as the instalment build-up feature lengthen the amortisation profile of these loans and may result in the capitalisation of interest if the limited instalment is lower than the accrued interest. Principal grace periods and exercised joker options also constrain the liquidity of the transaction. Fitch specifically addressed these issues by directly measuring the amortisation profile of each loan assuming that these options were exercised.

- 79.7% of the portfolio benefits from an inflation protection option whereby, during the first three years of the loan, borrowers with annual or semi-annual interest reset periods may ask to limit their instalment growth to a maximum of 100% or 200%, respectively, of the national inflation rate. Assuming a perfect correlation between inflation and interest rate movements, the principal and interest payments were modelled for loans with this option and the inflation strike was compared to the instalment variation in accordance with Fitch's scenario-specific interest rate assumptions. The results of this analysis reveal that, within the agency's high interest rate scenarios, most of these options are in-the-money up to the third year after closing. However, the effect on cash flows is diluted by a specific covenant to the priority of payments whereby all excess spread will be retained by the fund if more than 7% of the borrowers exercise this inflation protection option. Since, historically, the percentage of borrowers effectively exercising this option has been under 0.5%, the agency therefore assumed that a limited number of these inflation-linked options will be exercised before they expire and that the fund will not benefit from this cash-trapping mechanism.

- Recoveries from the MIG will be received in the 27th month after the borrower has entered delinquency, regardless of the crystallised loss. Fitch modelled this shorter timing of recoveries on the relevant portion of the pool.

- The WA margin of the portfolio over 12-month Euribor is 1.51% (as in UCI 16), given an estimated 1.1% differential between IRPC and 12-month Euribor. After examining historical levels of the IRPC index versus 12-month Euribor paid by the notes, Fitch assumed a decreasing differential between the indexes over time.

- Since this WA margin is much higher than in other Spanish RMBS transactions, Fitch expects that this transaction will exhibit a high level of prepayments, particularly if borrowers are able to find additional support for the loans or a more competitive rate elsewhere. If borrowers paying higher margins repay their loans more quickly, the WA margin of the mortgages will decline and so with it the level of excess spread. UCI provided historical data demonstrating that the WA margin earned on the pool of mortgage has remained stable in previous securitisations. Still, Fitch ran conservative assumptions of margin compression by allocating all defaults and part of prepayments to the higher margin loans.

- The cash flow analysis assumes a high level of annual prepayments on the mortgages, up to 25% in all rating scenarios, as UCI's securitised portfolios exhibit higher prepayment rates than those of its competitors. This high level of prepayments is due to bridge loans and to the higher interest rate charged by UCI, relative to other Spanish banks.

- Unlike previous UCI transactions, the seller will also transfer to UCI 17 the prepayment penalties paid by borrowers cancelling their mortgages. However, in its cash flow analysis, the agency did not give credit to these prepayment penalties.

The CE levels reflect the severest stress assumptions under the terms and conditions of the transaction. CE analysis accounted for the interest deferral mechanism in place on the class B and C notes, which will redirect funds away from the junior notes and towards the more senior notes. Should the trigger be hit, while interest on these notes may be deferred for a period, it will ultimately be paid prior to legal maturity.

Class D Notes

The performance of the class D notes requires very favourable conditions for the collateral backing the class A1 to C notes. Fitch calculated the expected recovery rate for these notes after testing several cash flow scenarios commensurate with speculative-grade rating levels. The sensitivity analysis that was performed consisted of testing several variables that affect the release of the reserve fund and, consequently, the availability of interest and principal payments on the class D notes. Fitch ran multiple stress scenario assumptions, including the alternative timing of default assumptions, prepayment speeds, and the exercise of the clean-up call by the originator.

The 'CCC' expected ratings assigned to the class D notes are supported by the expected recovery rates. As default on the class D notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the class D notes' expected interest and principal payouts, using a discount factor of 8.0%. Based on Fitch's calculations, the expected recovery rate is 50%-90% of the initial class D note balance.

■ Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at www.fitchresearch.com.

Issuer Report Grade

Fitch has recently introduced Issuer Report Scores as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). For further information on the agency's issuer report scores, please see the reports "*Fitch Issuer Report Grades May 2006 Update*", dated 5 June 2006, both of which are available at www.fitchratings.com.

Appendix 1: Rating Methodology

To determine appropriate levels of credit enhancement, Fitch analyses the collateral for Spanish residential transactions using a loan-by-loan mortgage default model (see Research "*Spanish Residential Mortgage Default Model III*", dated 15 September 2005, available on www.fitchratings.com). The model subjects the mortgage loans to stresses resulting from its assessments of historical house price movements and defaults. Fitch's study showed that the LTV, reflecting the size of the borrower's down-payment, and the borrower's income multiple (original loan advanced divided by income) are the primary indicators of default risk in Spain. Fitch also modelled the cash flow contribution from excess interest using stress scenarios determined by its default model. The cash flow test showed that each class of rated notes, taking available credit enhancement into account, can withstand loan losses at a level corresponding to the related stress scenario without incurring any principal loss or interest shortfall.

Default Probability

Generally, the two key determinants of default probability are the borrower's willingness and ability to make the mortgage payments. The willingness of a borrower to pay is usually measured by the LTV. Fitch's model assumes higher default probabilities for high-LTV loans and lower default probabilities for low-LTV loans. The main reason is that in a severe negative equity situation, borrowers in financial distress but with equity in their homes (low-LTV loans) have an incentive to sell and maintain/protect their equity, eliminating the need for the lender to repossess the property.

The ability to pay is usually measured by the borrower's net income in relation to the mortgage payment. Historical data available for Spain shows low levels of default. Base default probabilities are determined using a matrix that considers each loan's affordability factor and LTV. The matrix classifies affordability into five classes, the lowest of which (class 1) encompasses loans with debt-to-incomes (DTIs) of less than 20% and the highest of which (class 5) encompasses all loans with DTIs exceeding 50%. The average DTI for the mortgage market in Spain is circa 33%-37%.

Adjustments

Fitch adjusts the base default rates on a loan-by-loan basis to account for the individual loan characteristics of the collateral across all rating levels. In the absence of case-by-case specific mitigants, Fitch conducts the following adjustments:

- **Product Type:** Fitch may increase default probability assumptions by 0%-20% for loans that have riskier profile (i.e., flexible products) *vis-a-vis* standard variable rate amortising loans.

- **Repayment Type:** Mortgage payments by Spanish borrowers are generally made monthly by direct debit. Fitch will increase base default rates by 5% for quarterly payments and 10% for biannual or annual payment frequencies. Interest-only mortgages may be included in Spanish transactions at some point in the future. Fitch increases the default assumptions for these loans by up to 25% to take into account the balloon risk to the borrower and the strong reliance on the borrower's equity in the property.

- **Loan Purpose:** Fitch believes that a financially distressed borrower is more likely to default on a second home or investment property than on a primary residence. Accordingly, Fitch will increase the default probability by 15% to 50%. If the purpose of the loan is not the acquisition of a property in Spain, Fitch will increase the default probability by 50%-100%.

- **Borrower Profile:** Fitch increases the default probability on loans to self-employed borrowers by 20%-50% to account for their lack of a fixed annual salary and for non-Spanish residents as presumably such borrowers may have less incentive to repay a mortgage loan in periods of stress.

- **Arrears Status:** when rating portfolios combining current and arrears mortgages, Fitch increases base default rates for mortgages in arrears by 1-30, 31-60, and 61-90 days by 25%, 50% and 70%, respectively. Fitch assumes that mortgages over 91 days in arrears (non-performing status) will have a 100% probability of default.

- **Underwriting Quality:** Fitch's review and analysis of the origination process determines whether the agency decreases default rates by up to 25% or increases them by 0%-200%.

Loss Severity

To estimate loss severity on mortgage loans in Spain, Fitch examined house price movements on a regional basis from 1987–2005. The agency found significant differences in price development among the regions – mainly between the regions of Madrid, Catalunya, the Basque Country and the rest of the regions in Spain. More recently, prices have increased significantly in certain coastal areas (including Cantabria, Valencia, Andalucía and Murcia). The cities of these regions have experienced higher price increases than other cities in Spain. As in most other countries, rural areas tend to develop on a more stable basis. Based on its analysis of the real estate market, Fitch assumed slightly higher MVDs for certain regions and for some large urban areas.

To derive MVDs for the respective stress scenarios, Fitch then compared the characteristics of the Spanish real estate market with markets in other European countries. As with its other European mortgage default models, Fitch has increased MVDs for lower and higher-value properties. These properties are generally subject to larger MVDs in a deteriorating market than homes with average market values owing to limited demand for such properties.

When calculating recovery value, Fitch's model reduces each property value by the MVD, external foreclosure expenses, and the cost to the servicer of carrying the loan from delinquency through to default. For Spain, Fitch assumes that external foreclosure costs represent EUR6,500 plus 4% of the realised value of the collateral at the time of default. Loss severity also incorporates the fact that in a recession period, the length of time to foreclosure may be longer than is currently the case. To calculate carrying costs, Fitch uses a worst-case scenario analysis, which assumes that the borrower does not pay any interest and the collateral is not realised for three years.

Additional stresses to property values may be conducted vis-a-vis residential properties, on a case-by-case basis, if the mortgage loans are backed by commercial properties or subsidised properties (i.e., *Viviendas de Proteccion Oficial*) or in transactions where relatively strong geographical concentration and a large proportion of second home properties are observed.

Appendix 2: Deal Summary

Fondo de Titulización de Activos, UCI 17 — RMBS/Spain

Capital Structure

Class	Rating	Size (%)*	Size (EURm)	CE (%)	Payment Frequency	Maturity	Interest Rate	Spread (Expected)
A1	AAA	23.21	325.0	8.30	Quarterly	December 2049	3-Month Euribor	Between 0 and 10 bp
A2	AAA	69.59	974.2	8.30	Quarterly	December 2049	3-Month Euribor	Between 8 and 18 bp
B	A	5.20	72.8	3.10	Quarterly	December 2049	3-Month Euribor	Between 20 and 35 bp
C	BBB	2.00	28.0	1.10	Quarterly	December 2049	3-Month Euribor	Between 40 and 60 bp
D	CCC**	1.10	15.4	0.00	Quarterly	December 2049	3-Month Euribor	Between 150 and 225 bp

* These percentages are expressed as a proportion of the initial collateral balance
** Uncollateralised note issued to fund the creation of the reserve fund at closing

Key Information

		Role	Party (Trigger)
Expected Closing Date	April 2007	**Seller/Originator**	Unión de Créditos Inmobiliarios EFC, S.A. (UCI)
Country of Assets	Spain	**Structurer**	Santander de Titulización S.A. S.G.F.T. / UCI
Structure	Pass-through and sequential (pro rata under certain conditions)	**Issuer**	Fondo de Titulización de Activos, UCI 17 (UCI 17)
Type of Assets	Variable rate, first-ranking, second-ranking residential mortgages and personal loans	**Lead Managers**	Banco Santander Central Hispano BNP Paribas
Currency of Assets	EUR	**Trustee**	Titulización de Activos, S.G.F.T., S.A.
Currency of Notes	EUR	**Swap Provider**	BNP Paribas ('AA/F1+')
Primary Analyst	marina.alcalde@fitchratings.com	**Account Bank**	Banco Santander Central Hispano ('AA/F1+')
Secondary Analyst	alvaro.gil@fitchratings.com	**Financial Agent**	Banco Santander Central Hispano ('AA/F1+')
Performance Analyst	sf_surveillance@fitchratings.com	**Mortgage Insurance**	Genworth Financial Mortgage Insurance Limited

Fitch Default Model Outputs

Rating Level (%)	AAA	A	BBB
WAFF	13.6	9.6	6.4
WARR	65.3	78.1	82.3
WALS	54.2	43.2	39.1
WAMVD	45.8	35.9	32.1

Comparison Table: UCI 14, 15, 16 & 17

(%)	UCI 14	UCI 15	UCI 16	UCI 17
WA Original LTV	76.9	75.9	74.5	72.2
WA Current LTV	75.9	75.3	73.9	71.6
WA Indexed Current LTV	73.2	74.7	78.5	75.0
First-Ranking Mortgages	93.0	94.1	93.8	95.1
WA Seasoning (Months)	7	8	8	9

Source: Fitch. Pool information of the provisional portfolios

Collateral

Pool Characteristics as of 19 March 2007

Current Principal Balance (EUR)	1,492,177,168	**Regional Concentration (%)**	
First-Ranking Mortgages (EUR)	1,418,532,959	Andalucia	25.9
Second-Ranking and Personal Loans (EUR)	73,644,209	Madrid	13.5
Average Original Loan per Borrower (EUR)	173,742	Catalunya	15.2
Average Current Loan per Borrower (EUR)	165,945		
Number of Borrowers	8,992	**Loans Characteristics (%)**	
WA Seasoning (Months)	9	First Ranking	95.1
Oldest Loan in Portfolio	August 1997	Second-Ranking	1.6
Most Recent Loan in Portfolio	December 2006	Personal Loans	3.3
		Second Homes/Investment Properties	5.0
Interest Rate Type (%)		Residential Properties	100
Variable	100		
Loans with Initial Fixed Interest Rate	1.7	Arrears (30+ Days)	0
		Loan to Value (LTV) (%)	
WA Interest	4.68	WA Original LTV	72.2
Interest Index	IRPC, 12M-Euribor	WA Current LTV	71.6
WA Spread	1.51% over 12M-Euribor (91.3% of pool with 0.50% over IRPC, 8.7% of pool with 0.63% over 12M-Euribor)	WA Indexed Current LTV	75.0

% of the total provisional portfolio
*Includes an added differential over 12 month Euribor of 1.1% for loans with rates based on IRPC.
Source: Fitch