



RATING ACTION COMMENTARY

Fitch Downgrades Panamanian RMBS Notes and Related CLNs Following Sovereign Downgrade

Mon 08 Apr, 2024 - 15:42 ET

Fitch Ratings - São Paulo - 08 Apr 2024: Fitch Ratings has downgraded all series A notes issued by Twelfth Mortgage-Backed Notes Trust (Trust 12), Fourteenth Mortgage-Backed Notes Trust (Trust 14) and Sixteenth Mortgage-Backed Notes Trust (Trust 16) to 'BB+sf' from 'BBB-sf' following the downgrade of the Panamanian sovereign's Long-Term Issuer Default Rating (IDR) 'BB+' from 'BBB-'; Outlook Stable. Fitch has also downgraded Tenth Mortgage-Backed Notes Trust series A & interest-only notes (Trust 10) to 'A-sf' from 'Asf' for the same reason.

Consequently, Fitch also downgraded La Hipotecaria Mortgage Trust 2019-2, La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 certificates and La Hipotecaria Panamanian Mortgage Trust 2021-1 certificates to 'BB+' from 'BBB-sf'. In addition, Fitch has downgraded La Hipotecaria Panamanian Mortgage Trust 2010-1 series A unenhanced rating (2010-1) to 'A-sf' from 'Asf'. These are Credit-Linked Notes (CLN) that are backed by the RMBS issuances mentioned above.

The Rating Outlook for all ratings is Stable.

RATING ACTIONS

ENTITY / DEBT ↕

RATING ↕

PRIOR ↕

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Series 2019-2 Certificates US50346XAA37	LT	BB+sf Rating Outlook Stable	BBB-sf Rating Outlook Negative
Downgrade			
Tenth Mortgage-Backed Notes Trust			
Interest Only	LT	A-sf Rating Outlook Stable	Asf Rating Outlook Negative
Downgrade			
Series A PAL300026AA2	LT	A-sf Rating Outlook Stable	Asf Rating Outlook Negative
Downgrade			
La Hipotecaria Panamanian Mortgage Trust 2021-1			
Series 2021-1 Certificates	LT	BB+sf Rating Outlook Stable	BBB-sf Rating Outlook Negative
Downgrade			
La Hipotecaria Panamanian Mortgage Trust 2010-1			
2010-1 Certificates 50346RAA6	ULT	A-sf Rating Outlook Stable	Asf Rating Outlook Negative
Downgrade			

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RMBS Transactions

Tenth Mortgage-Backed Notes Trust, Twelfth Mortgage-Backed Notes Trust, Fourteenth Mortgage-Backed Notes Trust and Sixteenth Mortgage-Backed Notes Trust:

Country of Assets Determine Maximum Achievable Ratings: On March 28, 2024, Panama's IDR was downgraded to 'BB+' from 'BBB-'; Outlook Stable. According to Fitch's "Structured Finance and Covered Bonds Country Risk Rating Criteria" the ratings of Structured Finance notes are capped at four notches above Panama's sovereign rating. The Trust 10 has sufficient credit enhancement (CE) to reach the SF rating cap, while series A from Trust 12, Trust 14 and Trust 16 are capped at the sovereign IDR, given the high exposure to public servants, subsidies (for the Trust 12 and Trust 16) and to liquidity for these series, through Letter of Credit provided by Banco General (BBB-/Stable). However, this entity as of today does not constrain the rating. Liquidity is covered through reserve account for Trust 10.

CLN Transactions

La Hipotecaria Panamanian Mortgage Trust 2010-1, 2014-1 A-2, 2021-1 and La Hipotecaria Mortgage Trust 2019-2:

Credit Quality of the Underlying Notes Support Ratings: The 2010-1, 2014-1 A-2, 2019-2, 2021-1 certificates are a repackaging of the Trust 10, Trust 12 Trust 14 and Trust 16 series A notes, respectively; therefore, the rating assigned to the certificates (being the unenhanced long-term rating (ULT) for 2010-1) is commensurate with the credit rating of the series A notes of each transaction, rated 'BB+sf'/ Stable for 2014-1 A-2, 2019-2, 2021-1 and 'A-/Stable for 2010-1. Fitch expects the interest received from the underlying notes will be sufficient to cover the expenses and coupon payments due for the certificates.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The ratings of the Trust 10 series A notes and IO notes, Trust 12, Trust 14 and Trust 16

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rated below the sovereign). Finally, severe increases in foreclosure frequency and reductions in recovery rates could lead to a downgrade of the notes.

The unenhanced rating of the La Hipotecaria Panamanian Mortgage Trust 2010-1 is sensitive to changes in the credit quality of the Tenth Mortgage-Backed Notes Trust series A notes; hence, a negative rating action of the series A notes would trigger a negative rating action of the unenhanced rating on the notes in the same proportion.

The La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 certificates' ratings are sensitive to changes in the credit quality of the Twelfth Mortgage-Backed Notes Trust series A notes. If the Twelfth Mortgage-Backed Notes Trust series A notes are downgraded, the certificates would be downgraded.

The La Hipotecaria Mortgage Trust 2019-2 certificates' ratings are sensitive to changes in the credit quality of the Fourteenth Mortgage-Backed Notes Trust series A notes. If the Fourteenth Mortgage-Backed Notes Trust series A notes are downgraded, the certificates would be downgraded.

The La Hipotecaria Panamanian Mortgage Trust 2021-1 certificates' ratings are sensitive to changes in the credit quality of the Sixteenth Mortgage-Backed Notes Trust series A notes. If the Sixteenth Mortgage-Backed Notes Trust Series A notes are downgraded, the certificates would be downgraded.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The ratings of the Trust 10 series A notes and IO notes, Trust 12, Trust 14 and Trust 16 series A notes are sensitive to changes in Panama's credit quality. An upgrade of Panama's ratings, could lead to an upgrade on the notes.

The unenhanced rating of the La Hipotecaria Panamanian Mortgage Trust 2010-1 is sensitive to changes in the credit quality of Tenth Mortgage-Backed Notes Trust series A notes; hence, a positive rating action of the series A notes would trigger a positive rating action of the unenhanced rating on the notes in the same proportion.

The La Hipotecaria Panamanian Mortgage Trust 2014-1 A-2 certificates' ratings are

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The Hipotecaria Trust 2019-2 certificates' ratings are sensitive to changes in the credit quality of the Fourteenth Mortgage-Backed Notes Trust series A notes. If Fourteenth Mortgage-Backed Notes Trust series A notes are upgraded, the certificates would be upgraded.

The La Hipotecaria Mortgage Trust 2021-1 certificates' ratings are sensitive to changes in the credit quality of the Sixteenth Mortgage-Backed Notes Trust series A notes. If the Sixteenth Mortgage-Backed Notes Trust series A notes are upgraded, the certificates would be upgraded.

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.

DATA ADEQUACY

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

--The ULT rating of the 2010-1 certificates issued by La Hipotecaria Panamanian Mortgage Trust 2010-1 is directly linked to the rating of the Series A Notes issued by Tenth Mortgage-Backed Notes Trust.

--The rating of the A-2 certificates issued by La Hipotecaria Panamanian Mortgage Trust 2014-1 is directly linked to the rating of the series A notes issued by Twelfth Mortgage-Backed Notes Trust.

--The rating of the 2019-2 certificates issued by La Hipotecaria Mortgage Trust 2019-2 is

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Backed Notes Trust.

--The ratings of the Tenth Mortgage-Backed Notes Trust series A and interest-only notes are driven by Panama's credit quality and the maximum achievable rating at that country for a structured finance transaction (SF rating cap).

--The ratings of the Twelfth Mortgage-Backed Notes Trust A notes, Fourteenth Mortgage-Backed Notes Trust A notes and Sixteenth Mortgage-Backed Notes Trust A notes are driven by both BG's and Panama's credit quality as measured by their Long-Term Foreign Currency IDR.

ESG CONSIDERATIONS

The Tenth Mortgage-Backed Notes Trust has an ESG Relevance Score of '4' [+] for Human Rights, Community Relations, Access & Affordability due to its exposure to accessibility to affordable housing, which has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The Twelfth Mortgage-Backed Notes Trust has an ESG Relevance Score of '4' [+] for Human Rights, Community Relations, Access & Affordability due to its exposure to accessibility to affordable housing, which has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The Fourteenth Mortgage-Backed Notes Trust has an ESG Relevance Score of '4' [+] for Human Rights, Community Relations, Access & Affordability due to its exposure to accessibility to affordable housing, which has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The Sixteenth Mortgage-Backed Notes Trust has an ESG Relevance Score of '4' [+] for Human Rights, Community Relations, Access & Affordability due to its exposure to accessibility to affordable housing, which has a positive impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '2' means ESG issues are credit neutral or have only a minimal credit

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information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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[Structured Finance and Covered Bonds Counterparty Rating Criteria \(pub. 28 Nov 2023\)](#)

[Single- and Multi-Name Credit-Linked Notes Rating Criteria \(pub. 18 Dec 2023\) \(including rating assumption sensitivity\)](#)

[Global Structured Finance Rating Criteria \(pub. 19 Jan 2024\) \(including rating assumption sensitivity\)](#)

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ENDORSEMENT STATUS

Fourteenth Mortgage-Backed Notes Trust	EU Endorsed, UK Endorsed
La Hipotecaria Mortgage Trust 2019-2	EU Endorsed, UK Endorsed
La Hipotecaria Panamanian Mortgage Trust 2010-1	EU Endorsed, UK Endorsed
La Hipotecaria Panamanian Mortgage Trust 2014-1	EU Endorsed, UK Endorsed
La Hipotecaria Panamanian Mortgage Trust 2021-1	EU Endorsed, UK Endorsed
Sixteenth Mortgage-Backed Notes Trust	EU Endorsed, UK Endorsed
Tenth Mortgage-Backed Notes Trust	EU Endorsed, UK Endorsed
Twelfth Mortgage-Backed Notes Trust	EU Endorsed, UK Endorsed

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scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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