



Mexico's Largest Mortgage Lender Completes First Guaranteed RMBS Transaction

Ambac-Insured Deal Enables Infonavit to Access Global Capital



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Infonavit, Mexico's largest supplier of mortgages, is an institution that has the double mandate of providing mortgages and being a pension fund for private sector employees in Mexico. Infonavit provides individual pension accounts to all of its participants and makes mortgage loans to those participants who qualify. With a 55% market share in mortgages in Mexico and a 39% market share in residential mortgage-backed securities, Infonavit is a well-known participant in mortgage finance and has issued 11 unwrapped residential MBS transactions in the Mexican market, totaling approximately \$1.5 billion. In 2001, Infonavit undertook a major reengineering process, adopting best practices in underwriting and servicing. With these improvements, combined with the far-reaching strengthening of the Mexican economic and financial markets, Infonavit sought to pursue an MBS transaction that would include a global triple-A financial guarantee.

Developing an efficient housing finance system has been a top priority of the Mexican Government. Infonavit has been instrumental to this effort. Since completing its reengineering process six years ago, Infonavit has granted more than 1.6 million credits that have benefited low and middle income families throughout Mexico.

Infonavit makes mortgage loans indexed to VSM (minimum wages) but all previous securitizations have been denominated in the inflation-indexed currency unit, the UDI, therefore presenting basis risk. Using an innovative structure, this transaction eliminates the VSM-UDI basis risk resulting in lower subordination levels as compared to previous issuances.

This first Infonavit guaranteed RMBS transaction allowed the institution to access international investors, an important step in its long-term strategy. The transaction closed on October 2, 2007: \$200 million in 22-year notes backed by Mexican residential mortgage loans.

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