

**Ambac**

Ambac Wraps its First Mexican Residential Mortgage-Backed Securitization

Prior Mexican Securitization Experience Facilitates Execution

UDI 263,858,600

Patrimonio S.A. de C.V.

Mexican Residential Mortgage-Backed Securitization

The securitization market in Mexico continues to grow at a strong pace, fueled by activity in the residential housing sector. Specialized housing finance companies, known as Sofoles, have been increasingly active in issuing bonds backed by construction bridge loans and residential mortgages. Ambac has been an early and active participant in the market, having wrapped three construction bridge loan securitizations. Our triple-A-rated financial guarantee has broadened acceptance by investors in both the Mexican and cross-border capital markets.

In 2006, Ambac was mandated to wrap a securitization of residential mortgage loans originated by Patrimonio S.A. de C.V. (Patrimonio), Mexico's oldest Sofol. It was important to Patrimonio that Ambac be willing to analyze the deal for issuance and placement in the local Mexican capital markets. Ambac's prior experience working with the Mexican Sofoles, as well as its extensive expertise analyzing and structuring residential mortgage-backed securitizations worldwide, made Ambac an ideal partner for Patrimonio's first public RMBS securitization.


The Patrimonio transaction is backed by fixed-rate mortgages denominated in UDIs, an inflation-adjusted currency. However, borrowers (many of whom earn salaries based on a multiple of the minimum wage) make monthly payments indexed to the minimum wage because of a minimum wage-UDI "swap" provided by the Sociedad Hipotecaria Federal (SHF). SHF is a federally-owned development bank created to promote the primary and secondary mortgage markets in Mexico. Under the "swap," the SHF pays any difference between the monthly UDI mortgage payments due on the mortgage loan and the minimum wage indexed payments due from the borrowers. Just as important, the "swap" ensures that the UDI-denominated mortgages remain affordable to borrowers during periods of high inflation.

The first issuance under this program, completed in early December, was for the equivalent of \$90 million of UDI-denominated notes. The notes were placed completely in the Mexican capital markets and achieved the best pricing for any residential MBS deal in Mexico to-date.

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