

Various Rating Actions In 7 U.K. RMBS And ABS Transactions After Review And Application Of 2010 Counterparty Criteria

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OVERVIEW

- Today's rating actions follow the application of our 2010 counterparty criteria and, in some cases, a performance review.
- The currency swaps for these transactions do not comply with our 2010 counterparty criteria.
- Therefore, we consider that the maximum potential ratings the notes in these transactions can achieve is one rating level above the issuer credit rating on the respective currency swap provider.
- We have thus downgraded 19 ratings in these six transactions.
- We have also taken various ratings actions for performance reasons.

LONDON (Standard & Poor's) July 15, 2011--Standard & Poor's Ratings Services today took various credit rating actions on 34 tranches in seven transactions.

Specifically, we have:

- Lowered our ratings on three tranches in First Flexible No. 6 PLC. We have also affirmed our ratings on two tranches;
- Lowered our ratings on three tranches in Paragon Mortgages (No. 7) PLC;
- Lowered our ratings on two tranches in Paragon Mortgages (No. 8) PLC;
- Lowered our ratings on five tranches in Paragon Mortgages (No. 9) PLC, of which we have also removed from CreditWatch positive our ratings on two tranches;
- Lowered our ratings on two tranches in Paragon Mortgages (No. 10) PLC. We have also raised and removed from CreditWatch positive our ratings on two

tranches and affirmed our ratings on three tranches;

- Lowered our ratings on four tranches in Paragon Mortgages (No. 13) PLC; and
- Lowered our ratings on two tranches in Paragon Personal and Auto Finance (No. 3) PLC. We have also raised our ratings on two tranches and affirmed our ratings on four tranches (see list below).

Today's downgrades reflect the application of our 2010 counterparty criteria for structured finance transactions (see "Counterparty And Supporting Obligations Methodology And Assumptions," published on Dec. 6, 2010).

We did not place any ratings in these transactions on CreditWatch negative on Jan. 18, 2011, when our 2010 counterparty criteria became effective, due to our receipt of a plan outlining the originator's intention to comply with the 2010 counterparty criteria.

However, the originator has recently informed us that the currency swaps will not, at this point in time, be amended. We have therefore stressed the currency risk in the transactions and the outcome of our cash flow runs indicates that the current ratings on the notes cannot be maintained without a currency swap in place. In accordance with our 2010 counterparty criteria, we have therefore lowered our ratings on the downgraded classes of notes to one rating level above the issuer credit rating (ICR) on the respective currency swap provider.

We placed the ratings on Paragon Mortgages (No. 9)'s class Ba and Bb notes and Paragon Mortgages (No. 10)'s class B1a and B1b notes on CreditWatch positive in October 2010, due to what we regarded as strong performance. We have now lowered our ratings on Paragon Mortgages (No. 9)'s class Ba and Bb notes, due to the application of our 2010 counterparty criteria. We have raised our ratings on Paragon Mortgages (No. 10)'s class B1a and B1b due to increased credit enhancement and low arrears; however, the extent of the upgrade is restricted to one rating level above the ICR on the currency swap provider ('AA+', including the one-notch uplift) in accordance with our 2010 counterparty criteria.

We have lowered our ratings on Paragon Personal and Auto Finance (No. 3)'s class A1 and A2 notes to one rating level above the ICR on the swap counterparty in accordance with our 2010 counterparty criteria. We have also raised our ratings on the class B1 and B2 notes by one notch to 'AA+ (sf)' due to what we regard as good performance. Additionally, we have affirmed our ratings on the class C1, D1, C2, and D2 notes as their performance is in line with our expectations at closing.

We have affirmed our ratings on First Flexible No. 6's class M1 and M2 notes due to our view of their stable performance.

RELATED CRITERIA AND RESEARCH

- Principles Of Credit Ratings, Feb. 16, 2011

- Counterparty And Supporting Obligations Update, Jan. 13, 2011
- Counterparty And Supporting Obligations Methodology And Assumptions, Dec. 6, 2010
- Methodology And Assumptions: Update To The Criteria For Rating U.K. Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology And Assumptions: Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Cash Flow Criteria for European RMBS Transactions, Nov. 20, 2003
- Revised Criteria for Rating U.K. Residential Mortgage-Backed Securities, July 5, 2001

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

RATINGS LIST

Class	Rating
To	From

First Flexible No. 6 PLC
€215 Million, £310 Million, \$75 Million Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A1	AA (sf)	AAA (sf)
A2	AA (sf)	AAA (sf)
A3	AA (sf)	AAA (sf)

Ratings Affirmed

M1	A (sf)
M2	A (sf)

Paragon Mortgages (No. 7) PLC
€565 Million, £220 Million, \$532.5 Million Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A1a	AA- (sf)	AAA (sf)
A1b	AA- (sf)	AAA (sf)
A1c	AA- (sf)	AAA (sf)

Paragon Mortgages (No. 8) PLC
€833 Million, £420 Million Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A2a	AA+ (sf)	AAA (sf)
A2b	AA+ (sf)	AAA (sf)

Paragon Mortgages (No. 9) PLC
€450.5 Million, £356 Million, \$60 Million Mortgage-Backed Floating-Rate Notes

Ratings Lowered

Aa	AA- (sf)	AAA (sf)
Ab	AA- (sf)	AAA (sf)
Ac	AA- (sf)	AAA (sf)

Ratings Lowered And Removed From CreditWatch Positive

Ba	AA- (sf)	AA (sf)/Watch Pos
Bb	AA- (sf)	AA (sf)/Watch Pos

Paragon Mortgages (No. 10) PLC
€269 Million, £187.5 Million, \$1.1 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A2a	AA+ (sf)	AAA (sf)
A2b	AA+ (sf)	AAA (sf)

Ratings Raised And Removed From CreditWatch Positive

B1a	AA+ (sf)	AA (sf)/Watch Pos
B1b	AA+ (sf)	AA (sf)/Watch Pos

Ratings Affirmed

A1	A-1+ (sf)
C1a	A (sf)
C1b	A (sf)

Paragon Mortgages (No. 13) PLC
€480 Million, £194 Million, \$1.85 Billion Mortgage-Backed Floating-Rate Notes

Ratings Lowered

A1	AA+ (sf)	AAA (sf)
	A-1+ (sf)	A-1+ (sf)
A2a	AA+ (sf)	AAA (sf)
A2b	AA+ (sf)	AAA (sf)
A2c	AA+ (sf)	AAA (sf)

Paragon Personal and Auto Finance (No. 3) PLC
€358 Million, £204.5 Million Asset-Backed Floating-Rate Notes

Ratings Lowered

A1	AA+ (sf)	AAA (sf)
A2	AA+ (sf)	AAA (sf)

Ratings Raised

B1	AA+ (sf)	AA (sf)
B2	AA+ (sf)	AA (sf)

Ratings Affirmed

C1	A (sf)
D1	BBB (sf)
C2	A (sf)
D2	BBB (sf)

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