

Flexible Mortgages in Paragon's Securitisations

Paragon remains on course to cancel the flexible features of the flexible mortgages that are funded in the Paragon Mortgages Securitisations (PM7 – PM15 and FF7) and the First Flexible transactions (FF4, FF5 and FF6), by 15th November 2013. Flexible mortgages allow customers to overpay, and then drawdown on their overpayments. Where customers elect to drawdown on their overpayments (the "redraws"), this is funded by principal cash (redemptions, scheduled payments and overpayments) received in the period in the respective transactions. If there is insufficient principal cash to fund the redraw requests, a drawing is made on the Redraw / Flexible Drawing Facility, which has happened on FF4 and FF5. In the FF4 and FF5 pre enforcement priority of payments, the repayment of the drawings made on the Redraw / Flexible Drawing Facility (Barclays), ranks in priority to the Note repayment.

In respect of FF4, it is expected that FF4 will recommence paying down the Notes from the December 2013 Interest Payment Date (2nd December 213).

In respect of FF5, a drawing request was made to Barclays (as Redraw Facility provider) for £400,000 on 25th October 2013, to fund the difference in the redraw requests, and the principal cash generated in the period. It is expected that the drawings on the Redraw Facility will start to be repaid from the December 2013 Interest Payment Date (2nd December 2013). Once the total drawings have been repaid to Barclays, FF5 will recommence Note repayments to the Noteholders.

The table below shows the outstanding drawings and repayments in respect of FF4 & FF5's Redraw Facilities.

FF4						
Interest Payment Date	03-Jun-13	01-Jul-13	01-Aug-13	02-Sep-13	01-Oct-13	01-Nov-13
Amount of Drawing on the Facility	£600,000	£800,000	£400,000	£0	£0	£0
Repayment	£0	£0	£0	£800,000	£400,000	£600,000
Amount Outstanding	£600,000	£1,400,000	£1,800,000	£1,000,000	£600,000	£0
FF5						
Interest Payment Date	01-Oct-13	01-Nov-13				
Amount of Drawing on the Facility	£1,000,000	£400,000				
Repayment	£0	£0				
Amount Outstanding	£1,000,000	£1,400,000				

In respect of FF6, no drawings have yet been made on the Redraw Facility. The next Interest Payment Date is 2nd December 2013.

In respect of PM7 – PM15 and FF7, if there is insufficient principal cash to fund the redraw requests in these transactions, Paragon will fund the shortfall in respect of the redraw requests, under the respective Subordinated Loans. If Paragon can't fund this via the Subordinated Loan (it is a mandatory requirement), a request will be made to Barclays, as the Flexible Drawing Facility provider on PM8 – PM10, PM13, PM14 & FF7. It is expected that no drawings will be made on the Flexible Drawing Facilities for these companies.

If Paragon funds the redraws via the Subordinated Loans, the Note repayments are made in priority to the repayment of the Subordinated Loans, via the Available Redemption Funds calculation.