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Various Rating Actions Taken In U.K. RMBS Transactions Paragon Mortgages 13, 14, And 15 Following Review

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OVERVIEW

- We have reviewed Paragon Mortgages 13, 14, and 15 under our current counterparty criteria and U.K. RMBS criteria, and have performed our credit and cash flow analysis.
- Following our review, we have taken various rating actions in these transactions.
- Paragon 13, 14, and 15 are U.K. buy-to-let transactions securitizing loans that Paragon Mortgages and Mortgage Trust originated. The transactions closed in October 2006, March 2007, and July 2007, respectively.

LONDON (Standard & Poor's) June 30, 2015--Standard & Poor's Ratings Services today took various credit rating actions in Paragon Mortgages (No. 13) PLC (Paragon 13), Paragon Mortgages (No. 14) PLC (Paragon 14), and Paragon Mortgages (No. 15) PLC (Paragon 15).

Specifically, we have:

- Affirmed our ratings on Paragon 13's class A1, A2, and B1 notes, and raised our ratings on the class C1 notes;
- Affirmed our ratings on Paragon 14's class A1, A2, B1, and C1 notes; and
- Affirmed our ratings on Paragon 15's class A2 and B1 notes and raised our ratings on the class C1 notes. At the same time, we have affirmed our long-term rating and withdrawn our short-term rating on the class A1

notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received. We have also applied our current counterparty criteria and our U.K. residential mortgage-backed securities (RMBS) criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013, and "U.K. RMBS Methodology And Assumptions," published on Dec. 9, 2011).

The portfolios' collateral performance has been stable throughout the financial crisis, as have delinquencies since our previous full review of these transactions in June 8, 2012 (see "Ratings Lowered Or Affirmed On Various Classes Of U.K. RMBS Notes In Paragon Mortgages Nos. 7 To 15"). In our opinion, historically low interest rates and a robust rental market where first-time buyers are struggling to purchase homes have contributed to this stable performance. Arrears in all three transactions are below our U.K. buy-to-let RMBS index, with arrears of more than 90 days, including repossessions, at 0.46% for Paragon 13, 0.26% for Paragon 14, and 0.19% for Paragon 15, compared with our index level of 4.75% (see "U.K. RMBS Index Report Q4 2014/Q1 2015: Collateral Performance Remains Stable As Economic Growth Slows," published on May 29, 2015).

Taking into account the U.K.'s current macroeconomic environment and the high proportion of interest-only loans backing the transactions, the asset principal paydowns have remained low. Therefore, the pools' characteristics have not changed significantly since our June 2012 review. However, our credit analysis benefited from the increase in the transactions' weighted-average seasoning, which in April 2015, was 112 months in Paragon 13, 100 months in Paragon 14, and 93 months in Paragon 15.

Each of these three transactions includes some classes of notes that are denominated in euros or U.S. dollars. In Paragon 13, the swap provider is HSBC Bank PLC (AA-/Stable/A-1+) and in Paragon 14 and 15 the swap provider is Barclays Bank PLC (A-/Stable/A-2).

The swap documentation in Paragon 13 is not in line with our current counterparty criteria. Therefore, our ratings on the notes in this transaction are capped at our issuer credit rating (ICR) on HSBC Bank plus one notch.

In Paragon 14 and 15, the currency swap documentation is in line with our current counterparty criteria. However, the remedy period following the June 9, 2015 lowering of our ICR on Barclays Bank to below the documented trigger has not expired (see "S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review"). We understand that Barclays Bank is in the process of posting collateral to comply with the documentation.

In all three transactions, the transaction bank account provider is Barclays Bank, which as of June 9, 2015, breached its documented replacement trigger. As with the swap documentation, the remedy period has not expired. We have

received a provisional proposal from Paragon Group regarding remedial action, which we are assessing.

Therefore, our current counterparty criteria do not currently constrain our ratings in Paragon 14 and 15, pending appropriate remedial action being taken. In Paragon 13, the maximum potential rating on the notes is constrained at our ICR on HSBC Bank plus one notch, but as with Paragon 14 and 15, we will need to see appropriate remedial action.

Following our credit and cash flow analysis and the application of our U.K. RMBS criteria, we considered that the available credit enhancement for Paragon 13 and 15's class A1, A2, and B1 notes, and Paragon 14's class A1, A2, B1, and C1 notes is commensurate with their current rating levels. We have therefore affirmed our ratings on these classes of notes.

Based on the results of our cash flow analysis, we have raised to 'BBB+ (sf)' from 'BBB (sf)' our ratings on Paragon 13's class C1a and C1b notes and to 'BBB- (sf)' from 'BB (sf)' our rating on Paragon 15's class C1b notes.

Our short-term ratings address the possibility of the investor selling the class of notes to the conditional note purchasers at par within the year. We consider this feature to be a put feature under our ratings definitions (see "Standard & Poor's Ratings Definitions," published on Nov. 20, 2014).

The conditional note purchaser in Paragon 15, (JP Morgan Chase Bank N.A.; A+/Stable/A-1), purchased the class A1 notes in their entirety. We have therefore withdrawn our short-term 'A-1 (sf)' rating on Paragon 15's class A1 notes as it is no longer required. At the same time, we have affirmed our short-term 'A-2 (sf)' ratings on Paragon 13 and 14's class A1 notes as the conditional note purchaser in these transactions (Royal Bank of Scotland N.V. in Paragon 13 and Royal Bank of Scotland PLC in Paragon 14) has not repurchased these classes of notes.

Our long-term ratings address timely payment of interest and ultimate payment of principal on the notes. The class A1 notes are issued subject to a mandatory transfer condition, under which they are eligible to be sold to third parties annually, with the ultimate obligation to be sold to the conditional note purchasers established in the documentation.

Paragon 13, 14, and 15 are U.K. buy-to-let transactions securitizing loans that Paragon Mortgages Ltd. and Mortgage Trust Ltd. originated. The transactions closed in October 2006, March 2007, and July 2007, respectively.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Global Framework For Assessing Operational Risk In Structured Finance

Various Rating Actions Taken In U.K. RMBS Transactions Paragon Mortgages 13, 14, And 15 Following Review

Transactions, Oct. 9, 2014

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- U.K. RMBS Methodology And Assumptions, Dec. 9, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- RMBS: Updated Outlook Assumptions For The U.K. Residential Mortgage Market , Aug. 17, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012

Related Research

- Various Rating Actions Taken In U.K. RMBS Transactions Paragon Mortgages 13 And 14 Following Counterparty Review, June 22, 2015
- S&P Takes Various Rating Actions On Certain U.K. And German Banks Following Government Support And ALAC Review, June 9, 2015
- U.K. RMBS Index Report Q4 2014/Q1 2015: Collateral Performance Remains Stable As Economic Growth Slows, May 29, 2015
- The Eurozone Is Looking Up, For Now, March 31, 2015
- 377 European Structured Finance Ratings Placed On CreditWatch Negative Following Bank Rating Actions, Feb. 18, 2015
- Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets, Feb. 5, 2015
- S&P Takes Various Rating Actions On Certain U.K., German, Austrian, And Swiss Banks Following Government Support Review, Feb. 3, 2015
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014
- Updated Outlook Assumptions For The U.K. Residential Mortgage Market, Aug. 17, 2012
- Ratings Lowered Or Affirmed On Various Classes Of U.K. RMBS Notes In Paragon Mortgages Nos. 7 To 15, June 8, 2012

RATINGS LIST

Class	Rating
To	From

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

Ratings Raised

Cl a	BBB+ (sf)	BBB (sf)
Cl b	BBB+ (sf)	BBB (sf)

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Ratings Affirmed

A1	AA (sf)/A-2 (sf)
A2a	AA (sf)
A2b	AA (sf)
A2c	AA (sf)
B1a	A- (sf)
B1b	A- (sf)

Paragon Mortgages (No. 14) PLC
€470.3 Million, £196.9 Million, \$1.9 Billion Mortgage-Backed Floating-Rate
Notes

Ratings Affirmed

A1	AAA (sf)/A-2 (sf)
A2a	AAA (sf)
A2b	AAA (sf)
A2c	AAA (sf)
B1a	AA- (sf)
B1b	AA- (sf)
C1a	BBB- (sf)
C1b	BBB- (sf)

Paragon Mortgages (No. 15) PLC
€306 Million, £226.5 Million, \$1.15 Billion Mortgage-Backed Floating-Rate
Notes

Rating Raised

C1b	BBB- (sf)	BB (sf)
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Rating Withdrawn

A1	A-1 (sf)
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Ratings Affirmed

A1	AAA (sf)
A2a	AAA (sf)
A2b	AAA (sf)
A2c	AAA (sf)
B1a	A+ (sf)
B1b	A+ (sf)

Additional Contact:

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