

# Various Rating Actions Taken On Two Paragon Mortgages PLC U.K. RMBS Transactions

August 23, 2019

## Ratings List

### Issuer

Paragon Mortgages (No. 10) PLC

Class	Rating to	Rating from
A2a	AA (sf)	AA (sf)
A2b	AA (sf)	AA (sf)
B1a	AA (sf)	AA- (sf)
B1b	AA (sf)	AA- (sf)
C1a	AA- (sf)	A (sf)
C1b	AA- (sf)	A (sf)

### Issuer

Paragon Mortgages (No. 13) PLC

Class	Rating to	Rating from
A1	AA (sf)	AA (sf)
A2a	AA (sf)	AA (sf)
A2b	AA (sf)	AA (sf)
A2c	AA (sf)	AA (sf)
B1a	AA (sf)	A+ (sf)
B1b	AA (sf)	A+ (sf)
C1a	A+ (sf)	A (sf)
C1b	A+ (sf)	A (sf)

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## Overview

- We have reviewed Paragon Mortgages 10 and 13 following the implementation of our revised counterparty criteria and U.K. RMBS criteria.
- Paragon Mortgages 10 and 13 are U.K. buy-to-let transactions securitizing loans that Paragon Mortgages and Mortgage Trust originated.

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LONDON (S&P Global Ratings) Aug. 23, 2019--S&P Global Ratings today raised its credit ratings on the class B1a, B1b, C1a, and C1b notes from Paragon Mortgages (No. 10) PLC and the class B1a, B1b, C1a, and C1b notes from Paragon Mortgages (No. 13) PLC. At the same time, we have affirmed our ratings on all other classes of notes from these transactions (see list above).

Today's upgrades follow the implementation of our counterparty criteria and assumptions for assessing pools of residential loans (see "Related Criteria"). They also reflect our full analysis of the most recent transaction information that we have received and the transactions' current structural features.

Upon revising our structured finance counterparty criteria, we placed our ratings on all classes of notes from these transactions under criteria observation (see "Ratings Placed Under Criteria Observation Due To Revised Counterparty Risk Criteria," and "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019). Following our review of the transactions' performance, the application of our structured finance counterparty criteria, and our updated criteria for rating U.K. RMBS transactions (see "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," published on Jan. 25, 2019), our ratings on these notes are no longer under criteria observation.

HSBC Bank PLC provides the currency swap contract, which was not in line with our previous counterparty criteria. Under our new criteria, our collateral assessment is moderate, and considering the downgrade language in the swap documents and the current resolution counterparty rating (RCR) on HSBC Bank PLC, the maximum supported rating on the notes is 'AA (sf)', which is the RCR plus one notch.

After applying our updated U.K. RMBS criteria, the overall effect in our credit analysis results in a decrease in the weighted-average foreclosure frequency at all rating levels for Paragon 10 and at 'AAA' to 'BBB' for Paragon 13. This is mainly due to the changes to adjustments of buy-to-let (BTL) loans, including no longer applying interest-only adjustments to BTL loans. Our weighted-average loss severity assumptions have decreased at all rating levels driven by the revised jumbo valuation thresholds and the introduction of a separate Greater London category.

### Credit Analysis Results

Paragon Mortgages (No. 10) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	10.79	38.94
AA	7.24	30.96
A	5.44	17.25
BBB	3.63	10.02
BB	1.81	5.88
B	1.36	3.33

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

### Credit Analysis Results

Paragon Mortgages (No. 13) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	13.16	40.43
AA	9.59	32.70

## Credit Analysis Results (cont.)

Paragon Mortgages (No. 13) PLC		
Rating level	WAFF (%)	WALS (%)
A	7.77	19.21
BBB	5.96	11.83
BB	4.14	7.88
B	3.69	4.95

WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

We have determined that our assigned ratings on these transactions' classes of notes should be the lower of the rating as capped by our counterparty criteria and the rating that the class can attain under our credit and cash flow analysis.

Paragon 10 and 13 are U.K. BTL transactions securitizing loans that Paragon Mortgages and Mortgage Trust originated.

## Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria - Structured Finance - General: Global Derivative Agreement Criteria, June 24, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

## **Related Research**

- U.K. RMBS Index Report Q1 2019, May 28, 2019
- European Economic Snapshots: Domestic Demand Still A Safety Net, April 12, 2019
- Outlook Assumptions For The U.K. Residential Mortgage Market, Sept. 4, 2018
- Ratings On The United Kingdom Affirmed At 'AA/A-1+'; Outlook Remains Negative, Oct. 26, 2018
- Criteria And Guidance: Understanding The Difference, Dec. 15, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Various Rating Actions Taken In U.K. RMBS Transactions Paragon Secured Finance (No.1) And Paragon Mortgages 13, Feb. 21, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Various Rating Actions Taken In U.K. RMBS Transaction Paragon Mortgages (No. 10) Following Review, Oct. 17, 2016

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