

Various Rating Actions Taken In Four Paragon Mortgages U.K. RMBS Transactions

September 2, 2019

Ratings List

Issuer

Paragon Mortgages (No.11) PLC

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

Issuer

Paragon Mortgages (No.12) PLC

Class	Rating to	Rating from
A1 (long-term)	AAA (sf)	AAA (sf)
A1 (short-term)	NR	A-1 (sf)
A2a	AAA (sf)	AAA (sf)
A2b	AAA (sf)	AAA (sf)
A2c	AAA (sf)	AAA (sf)
B1a	AA (sf)	A (sf)
B1b	AA (sf)	A (sf)
C1a	A+ (sf)	A- (sf)
C1b	A+ (sf)	A- (sf)

Issuer

Paragon Mortgages (No.14) PLC

Class	Rating to	Rating from
A1	AAA (sf)	AAA (sf)
A2a	AAA (sf)	AAA (sf)
A2b	AAA (sf)	AAA (sf)

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Various Rating Actions Taken In Four Paragon Mortgages U.K. RMBS Transactions

Ratings List (cont.)

A2c	AAA (sf)	AAA (sf)
B1a	AA+ (sf)	AA+ (sf)
B1b	AA+ (sf)	AA+ (sf)
C1a	A+ (sf)	A (sf)
C1b	A+ (sf)	A (sf)

Issuer

Paragon Mortgages (No.15) PLC

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

NR--Not rated.

Overview

- We have reviewed Paragon Mortgages 11, 12, 14, and 15 following the implementation of our revised counterparty criteria and U.K. RMBS criteria.
- Paragon Mortgages 11, 12, 14, and 15 are U.K. buy-to-let transactions securitizing loans that Paragon Mortgages and Mortgage Trust originated.

LONDON (S&P Global Ratings) Sept. 2, 2019--S&P Global Ratings today took various credit rating actions on the notes issued by Paragon Mortgages (No. 11) PLC, Paragon Mortgages (No. 12) PLC, Paragon Mortgages (No. 14) PLC, and Paragon Mortgages (No. 15) PLC (see list above).

Today's rating actions 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 transaction's 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.

Barclays Bank UK PLC provides the currency swap contract, which was in line with our previous

Various Rating Actions Taken In Four Paragon Mortgages U.K. RMBS Transactions

counterparty criteria. For Paragon 11 and 14, the replacement trigger for the swap counterparty has been confirmed as the long-term issuer credit rating (ICR) of 'BBB+'. Under our revised counterparty criteria, the resolution counterparty rating (RCR) on Barclays Bank UK is the applicable rating type. Therefore, we've imputed an 'A-' RCR replacement trigger from the 'BBB+' ICR replacement trigger given there is currently one notch of RCR uplift for Barclays Bank UK. We assess the collateral framework as adequate as the documented volatility buffers are higher than those outlined for adequate collateral in our criteria. With an adequate collateral framework and 'A-' replacement trigger, the swap supports a maximum potential rating of 'AAA (sf)'.

For Paragon 12 and 15, the replacement trigger for the swap counterparty is defined as the long-term ICR of 'A-'. Under our revised counterparty criteria, the resolution counterparty rating (RCR) on Barclays Bank UK is the applicable rating type. Therefore, we've imputed an 'A' RCR replacement trigger from the 'A-' ICR replacement trigger given there is currently one notch of RCR uplift for Barclays Bank UK. We assess the collateral framework as moderate as the documented volatility buffers are lower than those outlined for adequate collateral in our criteria. With a moderate collateral framework and 'A' replacement trigger, the swap supports a maximum potential rating of 'AAA (sf)'.

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 (WAFF) at all rating levels for Paragon 11 and at 'AAA' to 'BBB' for Paragon 12, 14, and 15. 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 (WALS) 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. 11) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	12.29	40.91
AA	8.65	32.63
A	6.79	18.45
BBB	4.94	10.86
BB	3.08	6.57
B	2.62	3.63

Credit Analysis Results

Paragon Mortgages (No. 12) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	13.28	40.33
AA	9.71	32.50
A	7.90	18.71
BBB	6.10	11.18
BB	4.30	6.94
B	3.84	4.03

Credit Analysis Results

Paragon Mortgages (No. 14) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	13.96	45.70
AA	10.20	37.61
A	8.24	23.36
BBB	6.28	14.95
BB	4.30	10.23
B	3.81	6.74

Credit Analysis Results

Paragon Mortgages (No. 15) PLC		
Rating level	WAFF (%)	WALS (%)
AAA	13.97	45.96
AA	9.97	38.47
A	7.93	25.03
BBB	5.84	17.06
BB	3.73	12.10
B	3.20	8.36

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. Today's upgrades and affirmations reflect these factors.

We have withdrawn our short-term rating on Paragon 12's class A1 notes following notice that the A1 notes' conditional purchaser has drawn upon the conditional note liquidity facility, provided by Barclays Bank PLC (A/A-1) to purchase these notes. The short-term rating on the class A1 notes was weak-linked to the short-term issuer credit rating on Barclays Bank PLC, as the obligation to fund a possible purchase of the class A1 notes was provided by Barclays Bank PLC.

Paragon 11, 12, 14 and 15 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

Various Rating Actions Taken In Four Paragon Mortgages U.K. RMBS Transactions

- 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 Q2 2019, Aug. 27, 2019
- U.K.-Based The Guinness Partnership Outlook Revised To Negative On Weaker Financial Performance; 'A' Rating Affirmed, Aug. 13, 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
- Criteria And Guidance: Understanding The Difference, Dec. 15, 2017
- Various Rating Actions Taken In U.K. RMBS Transaction Paragon Mortgages 14 Following Review, Sept. 5, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Ratings Raised In U.K. RMBS Transaction Paragon Mortgages 11 Following Review, April 7, 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 Transactions Paragon Mortgages 15 And 21, Dec. 9, 2016
- Various Rating Actions Taken In U.K. RMBS Transactions Paragon Mortgages 12, 18, And 19, Nov. 16, 2016

Various Rating Actions Taken In Four Paragon Mortgages U.K. RMBS Transactions

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