

Paragon Mortgages (No.9) U.K. RMBS Transaction Ratings Raised On All Classes

August 6, 2019

Ratings List

Issuer

Paragon Mortgages (No.9) PLC

Class	Rating to	Rating from
Aa	A (sf)	A- (sf)
Ab	A (sf)	A- (sf)
Ac	A (sf)	A- (sf)
Ba	A (sf)	A- (sf)
Bb	A (sf)	A- (sf)
Ca	A (sf)	A- (sf)
Cb	A (sf)	A- (sf)

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Overview

- We have reviewed Paragon Mortgages (No. 9) following the implementation of our revised counterparty criteria and U.K. RMBS criteria.
- Following our review, we have raised our ratings on all classes of notes.
- Paragon Mortgages (No. 9) is a U.K. buy-to-let transaction securitizing loans that Paragon Mortgages and Mortgage Trust originated. The transaction closed in July 2005.

LONDON (S&P Global Ratings) Aug. 6, 2019--S&P Global Ratings today raised its credit ratings on all classes of notes issued by Paragon Mortgages (No.9) PLC (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 transaction's current structural features.

Upon revising our structured finance counterparty criteria, we placed our ratings on all classes of notes under criteria observation (see "Ratings Placed Under Criteria Observation Due To Revised Counterparty Risk Criteria," and "Counterparty Risk Framework: Methodology And Assumptions,"

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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. residential mortgage-backed securities (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.

Natwest Markets N.V. provides the currency swap contract, which was not in line with our previous counterparty criteria. Under our new criteria, our collateral assessment is weak, and considering the downgrade language in the swap documents and the current resolution counterparty rating (RCR) on Natwest Markets N.V., the maximum supported rating on the notes is 'A (sf)', which is the RCR. We recently raised our RCR on Natwest Markets N.V. to 'A/A-1' from 'A-/A-2' (see "The Royal Bank of Scotland Group plc And Subsidiaries Upgraded On Strengthened Risk Profile; Outlook Stable," published on May 16, 2019).

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. 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

Rating level	WAFF (%)	WALS (%)
AAA	11.73	35.85
AA	8.55	28.13
A	6.96	15.68
BBB	5.37	9.59
BB	3.77	5.95
B	3.38	3.61

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

We have determined that our assigned ratings on this transaction's 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 9 is a U.K. buy-to-let transaction 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,

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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
- The Royal Bank of Scotland Group plc And Subsidiaries Upgraded On Strengthened Risk Profile; Outlook Stable, May 16, 2019
- Ratings On The United Kingdom Affirmed At 'AA/A-1+'; Outlook Remains Negative, Oct. 26, 2018
- Ratings Raised On Paragon Mortgages 9's Class C U.K. RMBS Notes; Class A And B Notes Affirmed, Oct 5, 2018
- Outlook Assumptions For The U.K. Residential Mortgage Market, Sept. 4, 2018
- Criteria And Guidance: Understanding The Difference, Dec. 15, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 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

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