



Fitch Upgrades Paragon Mortgages No. 10 and 13; Affirms Paragon Mortgages No. 11

Fitch Ratings - London - 30 January 2020:

Fitch Ratings has upgraded Paragon Mortgages No. 10 and No. 13's class C notes and affirmed Paragon Mortgages No. 11. A full list of rating actions is below.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Paragon Mortgages (No. 13) Plc		
Class A1 XS0272533935	LT AAAsf ● Affirmed	AAAsf ●
Class A2a XS0272534313	LT AAAsf ● Affirmed	AAAsf ●
Class A2b XS0272534586	LT AAAsf ● Affirmed	AAAsf ●
Class A2c 69913DAD4	LT AAAsf ● Affirmed	AAAsf ●
Class B1a XS0272535633	LT AAAsf ● Affirmed	AAAsf ●
Class B1b XS0272536011	LT AAAsf ● Affirmed	AAAsf ●
Class C1a XS0272536284	LT A+sf ● Upgrade	Asf ●
Class C1b XS0272536524	LT A+sf ● Upgrade	Asf ●
Paragon Mortgages (No. 10) Plc		
Class A2a XS0235419396	LT AAAsf ● Affirmed	AAAsf ●
Class A2b XS0235419800	LT AAAsf ● Affirmed	AAAsf ●
Class B1a XS0235420139	LT AAAsf ● Affirmed	AAAsf ●

Class B1b XS0235420303	LT AAAsf ● Affirmed	AAAsf ●
Class C1a XS0235420485	LT A+sf ● Upgrade	Asf ●
Class C1b XS0235420725	LT A+sf ● Upgrade	Asf ●
Paragon Mortgages (No. 11) Plc		
Class A1 XS0246900756	LT AAAsf ● Affirmed	AAAsf ●
Class A2a XS0246902026	LT AAAsf ● Affirmed	AAAsf ●
Class A2b XS0246902885	LT AAAsf ● Affirmed	AAAsf ●
Class B1a XS0246904238	LT AAAsf ● Affirmed	AAAsf ●
Class B1b XS0246905391	LT AAAsf ● Affirmed	AAAsf ●
Class C1b Currency Swap Obligations	LT A+sf ● Affirmed	A+sf ●
Class C1b XS0246905805	LT A+sf ● Affirmed	A+sf ●

In relation to Paragon Mortgages No. 11 C1b-CSO, Fitch's Criteria for Rating Currency Swap Obligations of an SPV in Structured Finance Transactions and Covered Bonds expects that a rating action on a note tranche results in a corresponding rating action on the related rated swap obligations.

Transaction Summary

Paragon Mortgages No.10, 11 and 13 are buy-to-let (BTL) RMBS transactions backed by loans originated between 2005 and 2006 by Paragon Mortgages Limited and Mortgage Trust Limited, all subsidiaries of The Paragon Banking Group.

KEY RATING DRIVERS

UK RMBS Rating Criteria

The rating actions take into account the new UK RMBS Rating Criteria dated 4 October 2019. The notes' ratings have been removed from Under Criteria Observation. The portfolios of all three transactions are composed entirely of BTL loans so Fitch has applied its sector-level assumptions for BTL UK RMBS deals.

Rising Credit Enhancement (CE)

The stable asset performance and the non-amortising reserve funds have contributed to an increase in CE in the series. The increased CE for Paragon 10's class C notes to 6.0% from 5.6% and for Paragon 13's class C notes to 4.2% from 3.9% combined with the stable asset performance have contributed to their upgrades.

Stable Asset Performance

Loans with arrears greater than three months have remained stable over the last 12 months, ranging from 0.06% (Paragon 10) to 0.28% (Paragon 13) of the current portfolio balance as of December 2019 and January 2020, respectively. Given the BTL nature of the underlying pools, borrowers in arrears by more than two months are predominantly managed by Paragon via its receiver of rent policy, where the full rental stream is diverted to Paragon, as administrator, and used towards clearing arrears. Paragon's extensive use of its receiver of rent policy has contributed towards the low level of delinquencies across the series.

Rating Cap for Junior Notes

The CE available to the junior notes of Paragon 10, 11 and 13 is only provided by the first loss fund, which can be either invested in authorised investments or held in the transaction account bank at Barclays. In Fitch's opinion, these notes are credit linked to Barclays' Long-Term Issuer Default Rating (IDR), hence the ratings of the junior notes in Paragon 10, 11 and 13 are capped at Barclays' IDR.

BTL Interest-Only Concentration

The transactions have a material concentration of interest-only (IO) loans maturing within a three-year period during the lifetime of the transaction, peaking at 53.8%, and between 2028 and 2030 for Paragon 10, 47.7% between 2029 and 2031 for Paragon 11, and 44.4% between 2031 and 2033 for Paragon 13. Where a concentration is present, Fitch will derive IO concentration's weighted average foreclosure frequency (WAFF) and apply in the analysis the higher of IO concentration WAFF and the standard portfolio WAFF for each rating level. For these pools Fitch has applied the FF based on the IO concentration WAFF.

RATING SENSITIVITIES

As the pools are 100% BTL, the notes' ratings could be impacted by changes in market conditions and the economic environment. Material increase in the defaults level or failure to comply with remedial actions for a counterparty's breach of triggers could lead to a downgrade.

The rating of the class C notes of Paragon 10, 11 and 13 are capped at Barclays' IDR. Any changes in the bank's IDR may result in rating action on these notes.

USE OF THIRD PARTY DUE DILIGENCE PURSUANT TO SEC RULE 17G -10

Form ABS Due Diligence-15E was not provided to, or reviewed by, Fitch in relation to this rating action.

DATA ADEQUACY

Fitch has checked the consistency and plausibility of the information it has received about the performance of the asset pools and the transactions. There were no findings that affected the rating analysis. Fitch has not reviewed the results of any third-party assessment of the asset portfolio information or conducted a review of origination files as part of its ongoing monitoring.

Fitch did not undertake a review of the information provided about the underlying asset pools ahead of the transactions' initial closing. The subsequent performance of the transactions over the years is consistent with the agency's expectations given the operating environment and Fitch is therefore satisfied that the asset pool information relied upon for its initial rating analysis was adequately reliable.

Overall and together with the assumptions referred to above, Fitch's assessment of the information relied upon for the agency's rating analysis according to its applicable rating methodologies indicates that it is adequately reliable.

SOURCES OF INFORMATION

The data used for the rating included the following information and sources:

Loan-by-loan data provided by Paragon Finance plc as at 30 November 2019 (Paragon Mortgages No. 10) and 31 December 2019 (Paragon Mortgages No. 11 and 13)

Transaction reporting provided by Paragon Finance plc as at 17 December 2019 (Paragon Mortgages No. 10) and 15 January 2020 (Paragon Mortgages No. 11 and 13)

MODELS

ResiGlobal: <https://www.fitchratings.com/site/structuredfinance/rmbs/resiglobal>

EMEA CashFlow Model: <https://www.fitchratings.com/site/structuredfinance/emeacfm>

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is typically a score of 3 - ESG issues are credit neutral or have only a minimal credit impact on Paragon 10, 11 and 13 either due to their nature or the way in which they are being managed.

For more information on our ESG Relevance Scores, visit www.fitchratings.com/esg

Additional information is available on www.fitchratings.com

Applicable Criteria

Structured Finance and Covered Bonds Country Risk Rating Criteria (pub. 23 Oct 2018)

Structured Finance and Covered Bonds Counterparty Rating Criteria - Effective from 18 April 2019 to 29 January 2020 (pub. 18 Apr 2019)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum - Effective from 18 April 2019 to 29 January 2020 (pub. 18 Apr 2019)

Global Structured Finance Rating Criteria (pub. 02 May 2019)

UK RMBS Rating Criteria (pub. 04 Oct 2019)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 06 Dec 2019)

Fitch Ratings Interest Rate Stress Assumptions for Structured Finance and Covered Bonds (Excel) (pub. 06 Dec 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

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