

Home price scenario update

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At the close of business on Friday, September 27, 2013, we will be updating the non-agency RMBS calculator to incorporate changes to the Barclays home price scenarios. We are also adding a "Down 30%" scenario to our list of standard scenarios. In this scenario, US home prices decline approximately 30% cumulatively over a five-year period, with most of the drop occurring in the first two years. This is similar to the 2007-11 downturn in US home prices and is intended to mimic a repeat of the housing crisis experienced then. For more detailed information on the home price scenario update, please refer to *US Housing Monitor: Q3 13 Regional Housing Update*. After the change, users will be able to access the current set of home price scenarios by setting non-agency model version to "Old Production" in the Preferences screen.

Updated base case scenario

Figure 1 displays online versus updated home price projections across scenarios for the US and key states. The new home price projections incorporate actual home prices through June 2013, with actual data for Q2 13 coming in marginally above our previous forecast. Our base case projection for full-year 2013 US home price appreciation is now 11.0%, up from 9.7% previously. Our base case projections for 2013 home price appreciation in Arizona, California, Florida, and Nevada are now 9.9%, 17.0%, 10.4%, and 23.3%, respectively, revised up from 9.0%, 14.1%, 7.9% and 20.0%.

New scenario names

In an attempt to make the names more clearly reflect the design of Barclays standard set of home price scenarios and, in particular, the relationship between the base case and alternative scenarios, we are renaming them as follows:

Scenario Name (New)	Scenario Name (Old)	Description
Base + 20%	Strong Recovery	Up 20% relative to Base over 4 years
Base + 10%	Recovery	Up 10% relative to Base over 3 years
Base Case	Base Case	Base Case
Base - 10%	Stress	Down 10% relative to Base over 3 years
Base - 20%	Severe Stress	Down 20% relative to Base over 4 years
Down 20%	Down 20%	Down 20% over 3 years
Down 30%		Down 30% over 5 years, similar to US housing downturn from 2007 to 2011

FIGURE 1

Changes to HPA scenarios for US and key states

Projections (% / year)								
State	New				Online			
	2013	2014	2015	2016	2013	2014	2015	2016
Base + 20%					Strong Recovery			
US	13.8	12.4	9.4	9.2	13.8	12.5	9.6	9.2
AZ	13.7	13.6	9.4	9.4	14.2	12.7	8.4	9.6
CA	21.8	17.8	11.5	10.9	20.9	15.7	10.3	11.3
FL	14.3	14.8	10.7	11.4	13.4	13.4	10.1	12.2
NV	27.2	20.1	11.1	8.5	25.7	17.8	10.7	9.2
Base + 10%					Recovery			
US	12.9	10.6	7.7	5.7	12.4	10.7	7.8	4.8
AZ	12.4	11.2	7.1	4.6	12.5	10.7	6.5	3.9
CA	20.2	14.9	8.8	5.4	18.6	13.2	8.1	4.7
FL	13.0	12.3	8.4	6.4	11.6	11.2	8.0	6.0
NV	25.9	17.7	8.9	4.2	23.8	15.6	8.6	3.8
BaseCase					BaseCase			
US	11.0	7.0	4.2	3.9	9.7	7.2	4.3	4.0
AZ	9.9	6.5	2.6	2.0	9.0	6.8	2.7	2.0
CA	17.0	9.1	3.4	2.4	14.1	8.3	3.5	2.6
FL	10.4	7.3	3.6	3.6	7.9	6.9	3.7	4.0
NV	23.3	13.0	4.5	1.9	20.0	11.2	4.4	2.5
Base - 10%					Stress			
US	9.2	3.5	0.8	2.2	7.0	3.7	0.9	3.1
AZ	7.5	2.3	-0.9	-0.3	5.5	2.8	-1.0	1.0
CA	13.9	3.7	-0.8	-0.2	9.7	3.3	-1.1	1.6
FL	7.9	2.8	-0.3	1.2	4.3	2.6	-0.5	3.0
NV	20.7	8.5	0.5	-0.2	16.3	6.9	0.4	1.5
Base - 20%					Severe Stress			
US	8.3	1.8	-0.9	-1.1	5.7	2.0	-0.7	-1.1
AZ	6.4	0.3	-3.0	-4.2	3.8	0.8	-1.8	-2.0
CA	12.5	1.2	-3.3	-4.9	7.5	0.7	-2.0	-2.2
FL	6.7	0.6	-2.5	-2.9	2.5	0.4	-1.2	-0.4
NV	19.5	6.3	-1.6	-4.3	14.5	4.7	-1.1	-2.8
Down 20%					Down 20%			
US	2.4	-7.1	-4.7	-0.4	-2.8	-5.8	-4.6	2.2
AZ	-1.5	-11.5	-7.1	-2.8	-6.2	-7.3	-2.1	2.5
CA	2.6	-13.0	-8.8	-3.7	-5.1	-9.3	-2.8	3.6
FL	-1.4	-11.6	-7.0	-1.6	-7.6	-8.1	-1.8	4.3
NV	11.1	-5.8	-6.3	-3.5	3.5	-4.6	-4.2	1.1
Down 30%								
US	2.4	-12.7	-10.0	-3.5				
AZ	-1.5	-18.8	-13.9	-6.5				
CA	2.6	-21.9	-17.8	-9.1				
FL	-1.4	-19.2	-14.2	-5.8				
NV	11.1	-13.2	-13.3	-7.8				

Source: CoreLogic, Barclays Research

Projected losses

Figures 2 and 3 illustrate the net effect of the home price scenario on projected defaults and losses. Projected base case losses are slightly lower, consistent with the small increase in base case home price appreciation.

FIGURE 2

Projected cumulative defaults and losses, new HPA scenarios

Barclays Scenarios												
			Down 30%		Down 20%		Base – 20%		Base Case		Base + 20%	
Sector	Issue Yr	UCLTV	Default	Loss	Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	59	17	8	13	5	9	3	8	2	7	2
	2005	80	35	20	28	14	20	8	15	5	13	4
	2006	92	47	29	39	21	29	13	22	9	19	7
	2007	93	50	30	42	22	32	14	24	10	21	8
Jumbo Hybrid	2004	63	19	9	14	5	11	3	9	3	9	2
	2005	81	35	19	27	12	19	7	15	5	13	4
	2006	90	51	29	41	20	30	12	22	8	19	5
	2007	91	60	35	50	25	38	16	29	10	25	8
Alt-A Fixed	2004	66	33	21	27	15	21	10	18	8	16	6
	2005	85	48	33	41	25	33	17	27	13	24	10
	2006	96	64	48	57	39	49	30	42	23	37	19
	2007	95	66	48	59	38	50	29	43	23	39	18
Alt-A Hybrid	2004	76	43	24	35	16	27	11	23	7	20	6
	2005	95	60	39	51	29	42	21	35	14	30	11
	2006	107	73	53	66	43	57	33	49	25	43	19
	2007	103	78	55	70	45	61	34	52	26	46	21
Alt-A Negam	2004	75	47	28	39	20	33	14	29	10	27	8
	2005	93	64	45	56	34	47	25	41	19	38	15
	2006	107	76	56	68	45	60	35	53	27	48	22
	2007	105	77	55	70	45	61	34	54	27	48	21
Subprime 1st Lien	2004	75	54	39	47	30	40	23	35	18	33	15
	2005	94	71	55	64	45	56	35	49	28	45	23
	2006	106	81	67	75	56	67	46	60	37	55	31
	2007	102	82	66	74	55	66	44	59	35	53	29
Second Lien	2004	81	47	47	41	41	34	33	30	28	28	25
	2005	99	64	64	58	58	50	49	43	42	38	36
	2006	113	75	76	70	70	62	62	55	54	49	47
	2007	116	78	79	73	73	66	65	58	57	52	49

Note: Projections are as of August 2013 remittance reports for a sample of loans taken from each sector and issue year. Includes balance forgiven.

Source: CoreLogic, Barclays Research

FIGURE 3

Projected cumulative defaults and losses, online HPA scenarios

			Barclays Scenarios									
			Down 30%		Down 20%		Base – 20%		Base Case		Base + 20%	
Sector	Issue Yr	UCLTV	Default	Loss	Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	60			14	6	10	4	8	2	8	2
	2005	82			30	15	21	9	15	6	13	4
	2006	93			41	22	31	14	23	9	19	7
	2007	95			45	24	34	16	25	10	21	8
Jumbo Hybrid	2004	64			15	6	11	4	10	3	9	2
	2005	83			28	13	20	8	15	5	13	4
	2006	93			42	21	31	13	23	8	19	6
	2007	93			52	26	39	17	30	11	25	8
Alt-A Fixed	2004	67			28	16	22	11	18	8	16	6
	2005	87			42	26	34	18	28	13	24	10
	2006	98			58	40	50	31	42	23	38	19
	2007	97			61	40	51	30	44	23	39	18
Alt-A Hybrid	2004	78			35	17	28	11	23	8	20	6
	2005	97			52	30	43	22	36	15	30	11
	2006	109			67	44	58	34	50	26	44	20
	2007	106			71	46	62	36	54	27	47	21
Alt-A Negam	2004	77			40	21	34	15	29	11	27	8
	2005	95			57	36	48	27	42	20	38	16
	2006	109			69	46	61	37	54	28	49	22
	2007	108			70	46	62	36	55	28	49	22
Subprime 1st Lien	2004	77			48	32	41	24	36	19	33	15
	2005	95			65	47	57	37	50	29	46	23
	2006	107			76	58	68	47	60	38	55	31
	2007	104			76	57	67	45	59	36	54	29
Second Lien	2004	83			44	43	36	35	31	29	28	25
	2005	101			60	60	51	51	44	43	39	36
	2006	115			72	72	63	63	55	54	49	47
	2007	118			75	75	67	66	59	57	52	50

Note: Projections are as of August 2013 remittance reports for a sample of loans taken from each sector and issue year. Includes balance forgiven.

Source: CoreLogic, Barclays Research

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