

Barclays Loan Transition Model

Home price scenario update

At the close of business on Friday, January 17, 2014, we will be updating the non-agency RMBS calculator to incorporate changes to the Barclays home price scenarios. For more detailed information on the home price scenario update, please refer to ***US Housing Monitor: Q4 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 scenarios

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 September 2013. Our base case projection for 2014 US home price appreciation is unchanged at 7.0%. Our base case projections for 2014 home price appreciation in Arizona, California, Florida, and Nevada are 6.8%, 9.4%, 7.7%, and 12.9%, respectively, compared with 6.5%, 9.1%, 7.3%, and 13.0% previously.

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FIGURE 1

Changes to HPA scenarios for US and key states

HPA Projections (% / year)												
New							Online					
State	2013	2014	2015	2016	2017	2018-2022	2013	2014	2015	2016	2017	2018-2022
Base + 20%												
US	12.2	11.9	9.0	8.7	7.5	3.8	13.8	12.4	9.4	9.2	6.5	3.8
AZ	13.0	13.4	8.5	8.3	7.5	4.0	13.7	13.6	9.4	9.4	6.4	3.7
CA	20.3	17.7	11.1	10.0	8.5	3.7	21.8	17.8	11.5	10.9	7.1	3.8
FL	12.3	14.7	10.2	10.5	9.7	4.3	14.3	14.8	10.7	11.4	8.4	4.2
NV	25.3	19.5	10.4	7.6	5.6	3.1	27.2	20.1	11.1	8.5	4.7	3.2
NY	10.6	10.8	8.6	8.8	8.0	3.9	9.5	9.4	8.4	9.4	7.2	4.2
Base + 10%												
US	11.8	10.4	7.5	6.4	3.9	3.8	12.9	10.6	7.7	5.7	3.9	3.8
AZ	12.4	11.4	6.6	5.2	2.4	4.0	12.4	11.2	7.1	4.6	2.8	3.7
CA	19.6	15.1	8.7	6.3	2.7	3.7	20.2	14.9	8.8	5.4	3.0	3.8
FL	11.8	12.5	8.2	7.2	4.4	4.3	13.0	12.3	8.4	6.4	4.7	4.2
NV	24.7	17.5	8.6	4.7	1.1	3.1	25.9	17.7	8.9	4.2	1.5	3.2
NY	10.2	9.3	7.0	6.5	4.3	3.9	8.6	7.6	6.6	5.7	4.5	4.2
Base												
US	11.0	7.0	4.1	3.9	3.9	3.8	11.0	7.0	4.2	3.9	3.9	3.8
AZ	11.3	6.8	2.3	1.5	2.1	4.0	9.9	6.5	2.6	2.0	2.5	3.7
CA	18.1	9.4	3.5	1.9	2.4	3.7	17.0	9.1	3.4	2.4	2.7	3.8
FL	10.6	7.7	3.5	3.3	4.2	4.3	10.4	7.3	3.6	3.6	4.4	4.2
NV	23.6	12.9	4.3	1.4	1.0	3.2	23.3	13.0	4.5	1.9	1.3	3.2
NY	9.4	5.8	3.7	3.9	4.3	3.9	6.8	4.1	3.0	3.9	4.5	4.2
Base - 10%												
US	10.0	3.4	0.5	1.2	3.9	3.8	9.2	3.5	0.8	2.2	3.9	3.8
AZ	9.9	2.5	-1.6	-1.9	1.9	4.0	7.5	2.3	-0.9	-0.3	2.3	3.7
CA	16.4	3.9	-1.3	-2.0	2.3	3.7	13.9	3.7	-0.8	-0.2	2.5	3.8
FL	9.2	3.0	-0.7	-0.3	4.0	4.3	7.9	2.8	-0.3	1.2	4.2	4.2
NV	22.1	8.3	0.1	-1.9	1.0	3.2	20.7	8.5	0.5	-0.2	1.3	3.2
NY	8.4	2.2	-0.1	1.1	4.3	3.9	5.0	0.6	-0.4	2.2	4.5	4.2
Base - 20%												
US	9.5	1.3	-1.5	-1.7	-0.3	3.8	8.3	1.8	-0.9	-1.1	1.3	3.8
AZ	9.2	-0.3	-3.9	-5.3	-3.1	4.0	6.4	0.3	-3.0	-4.2	-0.8	3.7
CA	15.5	0.6	-4.1	-6.2	-3.9	3.7	12.5	1.2	-3.3	-4.9	-1.1	3.9
FL	8.5	0.2	-3.2	-3.9	-1.4	4.3	6.7	0.6	-2.5	-2.9	1.0	4.2
NV	21.4	5.5	-2.4	-5.5	-4.1	3.2	19.5	6.3	-1.6	-4.3	-1.7	3.2
NY	7.9	0.0	-2.1	-2.0	-0.2	3.9	4.1	-1.1	-2.2	-1.4	1.8	4.2
Down 20%												
US	6.4	-8.9	-5.6	-3.1	3.9	3.8	2.4	-7.1	-4.7	-0.4	3.9	3.8
AZ	4.9	-13.7	-8.4	-6.6	2.3	4.0	-1.5	-11.5	-7.1	-2.8	2.6	3.7
CA	10.1	-15.7	-10.1	-8.5	3.1	3.8	2.6	-13.0	-8.8	-3.7	3.1	3.9
FL	4.1	-13.8	-8.0	-5.6	4.4	4.3	-1.4	-11.6	-7.0	-1.6	4.6	4.3
NV	17.0	-8.2	-7.5	-7.4	1.2	3.2	11.1	-5.8	-6.3	-3.5	1.5	3.3
NY	4.7	-10.5	-6.4	-3.6	4.2	4.0	-1.8	-10.3	-6.2	-0.7	4.5	4.2
Down 30%												
US	6.4	-11.4	-13.0	-3.5	-3.3	2.8	2.4	-12.7	-10.0	-3.5	-3.1	3.2
AZ	4.9	-17.0	-18.0	-6.8	-7.0	2.6	-1.5	-18.8	-13.9	-6.5	-6.5	2.8
CA	10.1	-19.8	-22.5	-9.4	-9.9	2.0	2.6	-21.9	-17.8	-9.1	-9.2	2.7
FL	4.1	-17.3	-18.2	-6.0	-5.9	2.8	-1.4	-19.2	-14.2	-5.8	-5.3	3.3
NV	17.0	-11.5	-17.2	-8.1	-8.4	1.8	11.1	-13.2	-13.3	-7.8	-7.8	2.4
NY	4.7	-13.1	-14.1	-4.2	-3.6	2.9	-1.8	-15.9	-11.7	-4.1	-3.1	3.5

Notes: Base + 20% is up 20% relative to Base over 4 years, Base + 10% is up 10% relative to Base over 3 years, Base - 10% is down 10% relative to Base over 3 years, Base - 20% is down 20% relative to Base over 4 years, Down 20% is down 20% over 3 years, Down 30% is down 30% over 5 years.

Source: CoreLogic, Barclays Research

Projected losses

Figures 2 and 3 illustrate the net effect of the home price scenario update on projected defaults and losses. Projected base case losses are essentially unchanged, consistent with the small change 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 30Y	2004	58	17.5	8.7	14.0	6.0	10.4	3.8	8.6	2.8	8.2	2.3
	2005	78	35.6	20.3	29.2	14.3	20.3	8.5	14.8	5.3	13.0	4.1
	2006	90	47.1	28.9	40.3	21.7	29.6	13.9	21.7	9.0	18.8	7.0
	2007	91	50.6	30.4	43.8	23.1	32.7	15.1	24.1	9.9	21.0	7.7
Jumbo Hybrid	2004	61	17.8	8.4	13.8	5.4	10.7	3.4	9.0	2.4	8.4	2.0
	2005	79	33.3	18.4	26.1	12.2	18.6	7.2	13.9	4.4	12.2	3.3
	2006	88	48.8	28.2	39.8	19.5	28.8	11.7	20.7	6.9	17.6	5.1
	2007	89	59.2	34.9	49.8	25.0	37.4	15.8	27.8	9.9	24.0	7.4
AltA Fixed	2004	65	32.5	20.9	27.1	15.4	21.2	10.6	17.4	7.7	15.9	6.5
	2005	83	47.7	32.7	41.0	25.1	32.8	17.7	26.4	12.5	23.5	10.1
	2006	95	63.2	47.1	56.8	38.7	48.3	29.6	40.4	22.2	36.6	18.4
	2007	93	65.8	47.3	59.1	38.6	50.1	29.4	42.0	22.0	38.0	18.1
AltA Hybrid	2004	75	41.2	23.4	33.7	16.0	26.5	10.3	21.4	6.7	19.1	5.3
	2005	93	57.7	37.8	50.0	28.7	40.9	20.0	32.7	13.4	28.4	10.1
	2006	104	71.8	51.5	64.9	41.8	56.0	31.8	46.9	23.2	41.3	18.4
	2007	100	76.5	54.1	69.4	44.0	60.0	33.6	50.3	24.8	44.7	19.9
AltA NegAm	2004	73	45.6	27.4	38.3	19.8	31.7	13.5	27.5	9.5	25.5	7.5
	2005	90	63.4	44.9	55.7	35.4	47.3	26.2	40.5	19.5	37.1	15.7
	2006	102	73.9	53.7	67.0	43.7	58.6	33.6	50.3	25.2	45.5	20.3
	2007	101	75.3	53.4	68.1	43.5	59.5	33.2	50.8	24.7	45.8	19.8
Subprime 1st	2004	75	53.5	38.0	46.9	30.3	39.9	23.0	34.5	17.6	32.1	14.9
	2005	92	69.8	53.5	63.1	44.4	55.1	34.7	47.8	26.6	44.0	22.2
	2006	104	79.8	64.9	73.6	55.4	65.7	44.8	57.8	35.2	53.0	29.5
	2007	101	80.3	63.8	73.4	53.9	65.2	43.3	56.9	33.7	52.1	28.2
Second Lien	2004	78	29.0	27.9	24.5	23.3	18.7	17.5	15.4	14.0	14.1	12.4
	2005	94	46.2	44.7	40.8	39.2	33.0	31.3	26.3	24.5	23.0	20.9
	2006	101	49.3	47.8	43.7	42.1	35.7	33.9	28.2	26.3	24.0	21.9
	2007	104	54.2	52.3	48.4	46.4	40.2	38.1	32.1	29.9	27.5	24.9

Notes: Projections are as of December 2013 remittance reports for a sample of loans taken from each sector and issue year. Includes balance forgiven. Base + 20% is up 20% relative to Base over 4 years, Base - 20% is down 20% relative to Base over 4 years, Down 20% is down 20% over 3 years, Down 30% is down 30% over 5 years. 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 30Y	2004	58	18.4	9.4	14.1	6.0	10.3	3.8	8.7	2.8	8.1	2.2
	2005	79	36.9	21.4	29.3	14.4	20.2	8.4	14.9	5.4	12.8	3.9
	2006	90	48.3	30.1	40.3	21.7	29.5	13.8	21.8	9.1	18.5	6.8
	2007	92	51.9	31.6	43.8	23.1	32.4	14.9	24.2	10.0	20.6	7.5
Jumbo Hybrid	2004	62	18.3	8.8	13.7	5.5	10.6	3.4	9.0	2.5	8.4	1.9
	2005	79	34.1	19.2	25.8	12.1	18.3	7.1	13.9	4.5	12.0	3.2
	2006	89	49.7	29.1	39.4	19.3	28.2	11.5	20.7	7.0	17.3	4.9
	2007	89	60.3	36.0	49.4	24.7	36.8	15.5	27.8	9.9	23.6	7.2
AltA Fixed	2004	65	33.4	21.9	27.0	15.5	21.1	10.6	17.4	7.8	15.8	6.3
	2005	83	48.7	33.9	41.0	25.1	32.6	17.6	26.4	12.6	23.2	9.8
	2006	94	64.1	48.4	56.8	38.7	48.0	29.4	40.6	22.4	36.2	17.9
	2007	93	66.8	48.6	59.1	38.6	49.9	29.1	42.2	22.2	37.6	17.7
AltA Hybrid	2004	75	42.1	24.4	33.7	16.1	26.3	10.2	21.5	6.8	19.0	5.1
	2005	93	58.5	39.0	49.9	28.6	40.6	19.8	32.9	13.5	28.0	9.8
	2006	104	72.5	52.8	64.6	41.8	55.5	31.5	47.0	23.4	40.9	17.9
	2007	101	77.2	55.3	69.1	43.8	59.4	33.2	50.4	25.0	44.2	19.4
AltA NegAm	2004	73	46.4	28.5	38.3	19.9	31.6	13.5	27.6	9.7	25.3	7.3
	2005	91	64.2	46.2	55.6	35.3	47.1	26.0	40.7	19.6	36.8	15.3
	2006	103	74.5	54.9	66.7	43.6	58.2	33.3	50.4	25.3	45.1	19.8
	2007	102	75.9	54.7	67.8	43.3	58.9	32.9	50.9	24.8	45.4	19.2
Subprime 1st	2004	74	54.3	39.2	46.8	30.2	39.7	22.7	34.5	17.6	31.8	14.5
	2005	91	70.6	54.9	62.9	44.3	54.9	34.4	48.0	26.8	43.6	21.6
	2006	103	80.5	66.2	73.4	55.3	65.4	44.5	58.0	35.4	52.6	28.9
	2007	100	81.0	65.1	73.2	53.8	64.8	42.9	57.1	33.9	51.6	27.5
Second Lien	2004	76	30.2	29.1	24.9	23.7	18.8	17.6	15.5	14.1	13.9	12.1
	2005	92	47.4	45.9	41.0	39.4	32.9	31.2	26.5	24.7	22.5	20.4
	2006	99	50.6	49.0	43.9	42.3	35.4	33.7	28.4	26.5	23.5	21.3
	2007	102	55.4	53.6	48.5	46.6	39.9	37.9	32.3	30.2	27.0	24.5

Notes: Projections are as of December 2013 remittance reports for a sample of loans taken from each sector and issue year. Includes balance forgiven. Base + 20% is up 20% relative to Base over 4 years, Base - 20% is down 20% relative to Base over 4 years, Down 20% is down 20% over 3 years, Down 30% is down 30% over 5 years. Source: CoreLogic, Barclays Research.

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