

## Home price scenario update for non-agency model

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**At the close of business on Friday, June 21, 2013, we will update the non-agency RMBS calculator to incorporate changes to the Barclays' home price scenarios. For a detailed discussion of the Housing Update, see our *Q2 13 Regional Housing Update*, June 11, 2013.**

### Home price scenario update

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 March 2013 and reflect strong momentum, as well as declining distressed inventory in selected states, including Arizona. Our base case projection for 2013 US home price appreciation is now 9.7%, up from 6.2%. Our base case projections for 2013 home price appreciation in Arizona, California, Florida, and Nevada are now 9%, 14.1%, 7.9%, and 7.5%, respectively, revised from 13.8%, 10.8%, 7.6%, and 10.0%.

FIGURE 1

## Changes to HPA scenarios for US and key states

State	Projections (% / year)							
	New				Online			
	2013	2014	2015	2016	2013	2014	2015	2016
Strong Recovery								
US	13.8	12.5	9.6	9.2	11.6	11.1	9.9	9.6
AZ	14.2	12.7	8.4	9.6	20.9	14.0	8.6	8.5
CA	20.9	15.7	10.3	11.3	19.5	14.4	10.4	10.6
FL	13.4	13.4	10.1	12.2	14.7	12.5	10.2	11.4
NV	25.6	17.8	10.7	9.2	16.9	14.7	11.0	10.0
Recovery								
US	12.4	10.7	7.8	4.8	9.8	9.3	8.1	4.4
AZ	12.5	10.7	6.5	3.9	18.5	12.1	6.7	2.2
CA	18.6	13.2	8.1	4.7	16.6	12.0	8.2	3.1
FL	11.6	11.2	8.0	6.0	12.3	10.4	8.1	4.5
NV	23.7	15.6	8.6	3.8	14.6	12.5	8.9	3.6
Base Case								
US	9.7	7.2	4.3	4.0	6.2	5.8	4.6	4.4
AZ	9.0	6.8	2.7	2.0	13.8	8.2	2.9	1.6
CA	14.1	8.3	3.5	2.6	10.8	7.4	3.7	2.5
FL	7.9	6.9	3.7	4.0	7.6	6.2	3.9	3.9
NV	7.5	5.2	3.7	4.0	10.0	8.3	4.8	3.5
Stress								
US	7.0	3.7	0.9	3.1	2.8	2.4	1.2	4.4
AZ	5.5	2.8	-1.0	1.0	9.1	4.4	-0.6	1.5
CA	9.7	3.3	-1.1	1.6	5.3	2.7	-0.7	2.6
FL	4.3	2.6	-0.5	2.9	2.9	2.1	-0.1	3.8
NV	4.8	1.7	0.2	3.1	5.6	4.2	0.8	3.4
Severe Stress								
US	5.7	2.0	-0.7	-1.1	1.1	0.7	-0.5	-0.7
AZ	3.7	0.8	-1.8	-2.0	6.8	2.6	-1.5	-2.6
CA	7.5	0.7	-2.0	-2.2	2.6	0.4	-1.8	-2.5
FL	2.5	0.4	-1.2	-0.4	0.7	0.2	-1.1	-0.7
NV	3.5	0.0	-1.5	-1.2	3.5	2.2	-0.8	-2.0
Down 20%								
US	-2.8	-5.8	-4.6	2.2	-10.3	-5.0	-4.4	0.8
AZ	-6.2	-7.3	-2.0	2.5	-8.1	-2.8	-2.3	0.4
CA	-5.1	-9.3	-2.8	3.6	-14.8	-6.4	-3.1	1.3
FL	-7.6	-8.1	-1.8	4.3	-13.9	-5.3	-2.1	2.3
NV	-5.1	-7.9	-5.4	2.2	-10.7	-4.3	-4.2	0.0

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 5-10% lower across most cohorts. For example, the projected base case default/loss for 2006 jumbo fixed-rate mortgages is now 22%/9%, down from 23%/10% in the online model. For 2006 option ARMs, the projected base case default/loss is now 54%/29%, down from 55%/30%, and for 2006 vintage first-lien subprime mortgages, projected default/loss is now 61%/38%, down from 62%/40%.

FIGURE 2

#### Projected cumulative defaults and losses, new HPA scenarios

Sector	Issue Yr	UCLTV	Barclays Scenarios							
			Down 20%		Severe Stress		Base Case		Strong Recovery	
			Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	61	12	5	9	3	8	2	7	2
	2005	84	28	14	20	9	15	6	13	4
	2006	95	39	21	29	14	22	9	19	7
	2007	97	43	22	32	15	24	10	21	8
Jumbo Hybrid	2004	66	13	5	10	4	9	3	8	2
	2005	85	25	11	18	7	14	5	12	4
	2006	95	38	19	29	12	22	8	18	6
	2007	95	48	24	37	16	28	11	24	8
Alt-A Fixed	2004	69	27	15	21	11	17	8	16	6
	2005	89	41	25	33	18	27	13	24	10
	2006	101	58	39	49	30	42	24	37	19
	2007	99	60	39	51	30	44	23	39	19
Alt-A Hybrid	2004	80	32	16	26	11	22	7	19	6
	2005	100	49	28	41	21	34	15	29	11
	2006	112	65	42	57	33	49	26	43	20
	2007	109	69	44	61	35	53	27	47	22
Alt-A Negam	2004	79	38	20	33	14	29	11	26	8
	2005	98	55	34	48	26	42	21	38	16
	2006	113	68	45	61	36	54	29	49	23
	2007	112	69	44	62	36	55	28	49	22
Subprime 1st Lien	2004	79	48	32	41	24	35	19	32	15
	2005	98	65	47	57	37	50	29	46	24
	2006	110	76	58	68	47	61	38	55	32
	2007	107	76	57	67	46	60	37	54	30
Second Lien	2004	81	44	44	36	35	31	30	29	26
	2005	99	61	61	52	51	45	44	40	37
	2006	106	73	74	65	65	57	56	50	48
	2007	108	76	76	68	67	60	58	53	51

Note: Projections are as of May 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 20%		Severe Stress		Base Case		Strong Recovery	
Sector	Issue Yr	UCLTV	Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	64	14	6	10	4	8	3	7	2
	2005	87	32	16	21	10	15	6	13	4
	2006	99	43	24	31	15	23	10	19	7
	2007	100	47	26	35	17	25	11	21	8
Jumbo Hybrid	2004	69	15	6	11	4	9	3	9	2
	2005	88	28	14	20	8	15	5	13	4
	2006	99	43	22	31	14	23	9	19	6
	2007	99	53	28	39	18	30	12	25	9
Alt-A Fixed	2004	71	29	18	22	11	18	8	16	6
	2005	91	44	29	34	19	28	14	24	11
	2006	104	61	43	51	32	43	25	38	20
	2007	102	63	43	53	32	45	24	40	19
Alt-A Hybrid	2004	83	35	19	27	12	22	8	20	6
	2005	104	53	32	43	22	35	16	30	12
	2006	116	68	47	59	35	50	27	44	21
	2007	114	73	49	63	37	54	29	48	22
Alt-A Negam	2004	83	42	23	34	16	29	11	27	8
	2005	102	58	38	49	29	43	22	39	17
	2006	118	71	49	62	39	55	30	50	24
	2007	116	73	49	64	38	56	30	50	23
Subprime 1st Lien	2004	81	51	36	42	26	36	20	33	16
	2005	101	68	51	58	39	51	30	46	24
	2006	113	79	63	70	50	62	40	56	32
	2007	110	79	61	69	48	61	38	55	31
Second Lien	2004	83	48	48	38	37	33	31	29	27
	2005	101	65	65	54	54	47	45	40	38
	2006	109	76	77	67	67	58	58	51	50
	2007	111	79	79	70	69	62	60	54	52

Note: Projections are as of May 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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