

## Home price scenario update and forbearance recovery change

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At the close of business on Friday, April 25, 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: Q1 14 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.

In this update, we will also change our treatment of recovery of principal forbearance. The default setting in Intex was changed last year to write back forbore principal at the time of prepayment. At the time of default, recoveries were also applied to the full balance, rather than the post-mod balance. In this update, we will revert to our conservative approach of treating all principal forbearance as loss that will not be repaid. There is no effect of this change on our collateral projections. The effect on super-senior bonds will also be negligible. However, some bonds, especially those lower down the capital structure, might be sensitive to this change.

We will also add the Citibank \$1.125bn rep and warranty settlement to the list of settlement options that users can run on our calculators.

### 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 December 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 8.2%, 9.4%, 8.3% and 11.0%, respectively, compared with 6.8%, 9.4%, 7.7%, and 12.9% previously.

FIGURE 1

## Changes to HPA scenarios for US and key states

State	HPA Projections (% / year)												
	New							Online					
	2013*	2014	2015	2016	2017	2018	2019-2023	2013	2014	2015	2016	2017	2018-2022
Base + 20%													
US	11.0	11.9	8.9	8.5	8.4	3.6	3.6	12.2	11.9	9.0	8.7	7.5	3.8
AZ	12.4	15.0	9.3	8.5	8.9	2.8	3.5	13.0	13.4	8.5	8.3	7.5	4.0
CA	20.1	17.8	10.9	9.8	10.2	2.7	3.6	20.3	17.7	11.1	10.0	8.5	3.7
FL	9.9	15.4	10.3	10.0	11.0	4.6	4.1	12.3	14.7	10.2	10.5	9.7	4.3
NV	23.8	17.6	9.4	7.2	6.9	1.7	3.5	25.3	19.5	10.4	7.6	5.6	3.1
NY	6.9	10.2	8.0	8.7	9.1	4.1	4.0	10.6	10.8	8.6	8.8	8.0	3.9
Base + 10%													
US	11.0	10.4	7.4	7.0	3.6	3.6	3.6	11.8	10.4	7.5	6.4	3.9	3.8
AZ	12.4	12.9	7.3	6.4	2.2	2.7	3.6	12.4	11.4	6.6	5.2	2.4	4.0
CA	20.1	15.2	8.5	7.4	2.4	2.6	3.6	19.6	15.1	8.7	6.3	2.7	3.7
FL	9.9	13.2	8.2	7.8	4.0	4.6	4.1	11.8	12.5	8.2	7.2	4.4	4.3
NV	23.8	15.6	7.5	5.3	0.9	1.7	3.5	24.7	17.5	8.6	4.7	1.1	3.1
NY	6.9	8.7	6.5	7.2	4.2	4.1	4.0	10.2	9.3	7.0	6.5	4.3	3.9
Base													
US	11.0	7.0	4.1	3.6	3.6	3.6	3.6	11.0	7.0	4.1	3.9	3.9	3.8
AZ	12.4	8.2	2.9	1.5	1.8	2.6	3.6	11.3	6.8	2.3	1.5	2.1	4.0
CA	20.1	9.4	3.2	1.7	2.0	2.5	3.6	18.1	9.4	3.5	1.9	2.4	3.7
FL	9.9	8.3	3.5	2.8	3.7	4.5	4.1	10.6	7.7	3.5	3.3	4.2	4.3
NV	23.8	11.0	3.3	1.0	0.8	1.7	3.6	23.6	12.9	4.3	1.4	1.0	3.2
NY	6.9	5.2	3.1	3.8	4.2	4.1	4.0	9.4	5.8	3.7	3.9	4.3	3.9
Base - 10%													
US	11.0	3.4	0.6	0.1	3.6	3.6	3.6	10.0	3.4	0.5	1.2	3.9	3.8
AZ	12.4	3.7	-1.1	-3.1	1.5	2.5	3.6	9.9	2.5	-1.6	-1.9	1.9	4.0
CA	20.1	3.8	-1.7	-3.6	1.8	2.5	3.6	16.4	3.9	-1.3	-2.0	2.3	3.7
FL	9.9	3.5	-0.8	-2.1	3.5	4.4	4.1	9.2	3.0	-0.7	-0.3	4.0	4.3
NV	23.8	6.4	-0.9	-3.4	0.8	1.7	3.6	22.1	8.3	0.1	-1.9	1.0	3.2
NY	6.9	1.6	-0.5	0.1	4.1	4.1	4.0	8.4	2.2	-0.1	1.1	4.3	3.9
Base - 20%													
US	11.0	1.3	-1.5	-2.0	-2.0	3.6	3.6	9.5	1.3	-1.5	-1.7	-0.3	3.8
AZ	12.4	0.9	-3.6	-5.5	-5.2	2.5	3.6	9.2	-0.3	-3.9	-5.3	-3.1	4.0
CA	20.1	0.4	-4.7	-6.7	-6.5	2.7	3.6	15.5	0.6	-4.1	-6.2	-3.9	3.7
FL	9.9	0.6	-3.5	-4.7	-3.8	4.4	4.1	8.5	0.2	-3.2	-3.9	-1.4	4.3
NV	23.8	3.6	-3.4	-5.9	-6.1	1.8	3.6	21.4	5.5	-2.4	-5.5	-4.1	3.2
NY	6.9	-0.6	-2.7	-2.1	-1.9	4.1	4.0	7.9	0.0	-2.1	-2.0	-0.2	3.9
Down 20%													
US	11.0	-9.7	-5.4	-5.6	3.6	3.6	3.6	6.4	-8.9	-5.6	-3.1	3.9	3.8
AZ	12.4	-13.8	-8.0	-9.7	2.0	2.4	3.6	4.9	-13.7	-8.4	-6.6	2.3	4.0
CA	20.1	-17.1	-10.4	-12.6	2.5	2.9	3.6	10.1	-15.7	-10.1	-8.5	3.1	3.8
FL	9.9	-14.6	-8.2	-9.4	3.8	4.4	4.1	4.1	-13.8	-8.0	-5.6	4.4	4.3
NV	23.8	-10.8	-8.3	-10.6	1.0	1.8	3.6	17.0	-8.2	-7.5	-7.4	1.2	3.2
NY	6.9	-11.8	-6.8	-6.1	4.0	4.1	4.1	4.7	-10.5	-6.4	-3.6	4.2	4.0
Down 30%													
US	11.0	-9.7	-15.6	-3.8	-3.8	-2.9	3.6	6.4	-11.4	-13.0	-3.5	-3.3	2.8
AZ	12.4	-13.8	-21.4	-7.1	-7.7	-6.5	3.6	4.9	-17.0	-18.0	-6.8	-7.0	2.6
CA	20.1	-17.1	-26.9	-10.0	-10.9	-9.5	3.7	10.1	-19.8	-22.5	-9.4	-9.9	2.0
FL	9.9	-14.6	-22.2	-6.9	-6.9	-5.6	4.2	4.1	-17.3	-18.2	-6.0	-5.9	2.8
NV	23.8	-10.8	-21.4	-8.5	-8.9	-7.1	3.6	17.0	-11.5	-17.2	-8.1	-8.4	1.8
NY	6.9	-11.8	-17.4	-4.3	-4.0	-3.0	4.1	4.7	-13.1	-14.1	-4.2	-3.6	2.9

Note: 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. 2013 for new scenarios are actual.

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	57	16.9	8.4	13.6	5.9	10.7	4.0	9.1	3.0	8.6	2.5
	2005	78	33.5	19.0	27.5	13.4	19.8	8.4	14.8	5.4	13.1	4.2
	2006	89	45.0	27.5	38.4	20.6	29.0	13.7	21.7	9.2	18.8	7.2
	2007	91	48.3	28.9	41.6	21.9	32.0	14.9	24.0	10.0	21.0	7.9
Jumbo Hybrid	2004	61	16.8	7.7	13.2	5.1	10.5	3.4	8.9	2.4	8.3	2.0
	2005	78	31.2	17.1	24.4	11.3	18.0	7.0	13.7	4.4	12.0	3.4
	2006	87	45.9	26.3	37.3	18.1	27.6	11.3	20.1	6.8	17.2	5.1
	2007	88	56.7	33.0	47.4	23.5	36.3	15.4	27.3	9.7	23.6	7.4
AltA Fixed	2004	65	31.3	19.9	26.1	14.8	21.1	10.6	17.4	7.8	16.0	6.6
	2005	83	46.4	31.5	39.8	24.1	32.4	17.5	26.1	12.5	23.4	10.2
	2006	94	62.0	45.8	55.7	37.7	47.8	29.5	40.4	22.5	36.6	18.7
	2007	92	64.4	45.6	57.6	37.1	49.5	28.9	41.6	21.8	37.7	18.1
AltA Hybrid	2004	74	39.7	22.0	32.4	15.0	25.9	9.9	20.9	6.5	18.7	5.1
	2005	92	56.2	36.1	48.5	27.2	40.0	19.4	32.0	13.0	27.6	9.9
	2006	103	70.1	49.3	63.1	39.9	54.8	30.8	45.7	22.5	40.3	17.9
	2007	100	74.9	51.4	67.6	41.6	58.7	32.1	49.0	23.6	43.5	19.0
AltA NegAm	2004	71	44.1	24.8	36.9	17.6	30.9	12.2	26.6	8.4	24.6	6.6
	2005	87	60.2	40.9	52.2	31.5	44.5	23.6	37.8	17.3	34.5	14.0
	2006	101	72.5	51.5	65.4	41.8	57.6	32.6	49.3	24.4	44.6	19.8
	2007	100	73.8	51.4	66.4	41.5	58.4	32.2	49.7	24.0	44.8	19.3
Subprime 1st	2004	73	52.2	36.5	45.8	29.2	39.5	22.7	34.2	17.5	31.7	15.0
	2005	91	68.4	51.8	61.7	42.9	54.4	34.1	47.2	26.4	43.4	22.1
	2006	102	78.5	62.9	72.2	53.6	64.9	43.9	57.0	34.7	52.2	29.2
	2007	99	79.0	62.1	72.3	52.5	64.7	42.9	56.5	33.6	51.7	28.2
Second Lien	2004	75	27.5	26.3	23.3	22.1	18.3	17.0	15.0	13.6	13.8	12.1
	2005	92	44.4	42.9	39.2	37.7	32.0	30.4	25.5	23.8	22.3	20.3
	2006	99	48.1	46.5	42.6	41.0	35.2	33.5	28.0	26.1	23.9	21.8
	2007	101	53.4	51.6	47.6	45.6	39.9	37.9	31.9	29.7	27.5	25.0

Notes: Projections are as of February 2014 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	57	18.5	9.4	14.6	6.4	10.9	4.1	9.1	3.0	8.6	2.4
	2005	78	36.2	20.8	29.5	14.6	20.4	8.6	14.8	5.4	12.9	4.1
	2006	89	47.7	29.4	40.7	22.0	29.7	14.1	21.6	9.1	18.6	7.0
	2007	91	51.1	30.9	44.0	23.3	32.8	15.2	23.9	9.9	20.7	7.7
Jumbo Hybrid	2004	61	17.6	8.3	13.7	5.4	10.6	3.4	8.9	2.4	8.3	1.9
	2005	78	32.8	18.3	25.6	12.0	18.2	7.1	13.6	4.4	11.9	3.3
	2006	87	48.0	27.9	39.0	19.3	28.0	11.5	20.1	6.8	17.0	4.9
	2007	88	59.1	34.9	49.5	24.9	37.0	15.7	27.3	9.7	23.5	7.3
AltA Fixed	2004	64	32.6	21.1	27.1	15.5	21.2	10.7	17.3	7.7	15.8	6.4
	2005	82	47.9	32.8	41.0	25.1	32.6	17.6	25.9	12.3	23.1	9.9
	2006	94	63.4	47.3	56.9	38.8	48.1	29.6	40.1	22.3	36.2	18.3
	2007	92	65.8	47.2	58.9	38.3	49.8	29.1	41.4	21.6	37.3	17.7
AltA Hybrid	2004	74	40.7	22.9	33.0	15.6	25.8	9.9	20.8	6.4	18.5	4.9
	2005	92	57.1	37.1	49.2	27.9	40.0	19.3	31.7	12.8	27.3	9.6
	2006	103	71.0	50.6	63.8	40.8	54.8	30.8	45.5	22.3	39.9	17.5
	2007	100	76.0	52.9	68.5	42.6	58.8	32.2	48.8	23.5	43.1	18.7
AltA NegAm	2004	71	45.1	25.9	37.6	18.3	30.9	12.2	26.5	8.3	24.4	6.4
	2005	88	61.3	42.3	53.2	32.7	44.6	23.7	37.8	17.3	34.3	13.8
	2006	101	73.4	53.0	66.2	42.9	57.7	32.8	49.2	24.4	44.3	19.5
	2007	100	74.7	52.8	67.3	42.7	58.5	32.4	49.6	23.9	44.5	19.0
Subprime 1st	2004	73	53.2	37.7	46.5	29.9	39.4	22.6	33.9	17.2	31.4	14.5
	2005	90	69.4	53.1	62.4	43.7	54.3	34.1	46.9	26.0	42.9	21.5
	2006	101	79.4	64.1	72.8	54.4	64.8	43.8	56.6	34.1	51.7	28.4
	2007	99	79.8	63.4	72.9	53.3	64.5	42.7	56.0	33.0	51.1	27.4
Second Lien	2004	75	28.6	27.5	24.0	22.9	18.3	17.0	14.8	13.4	13.5	11.8
	2005	92	45.6	44.1	40.1	38.5	32.0	30.4	25.1	23.3	21.7	19.6
	2006	98	49.2	47.6	43.4	41.8	35.2	33.5	27.5	25.6	23.2	21.1
	2007	101	54.4	52.5	48.3	46.3	39.8	37.8	31.4	29.2	26.6	24.1

Notes: Projections are as of February 2014 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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