

Home price scenario update and production release of non-agency model with servicer effects

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At the close of business on Friday April 5, 2013, we will be updating the non-agency RMBS calculator to incorporate changes to the Barclays home price scenarios. We will also be rolling to production the beta version of the non-agency model with servicer specific adjustments and servicer override option. For a detailed discussion of the housing market recovery, see *Mortgage market implications of a housing rebound*.

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 December 2012 and reflect the strengthening recovery in housing markets, especially in those states most affected by the housing market collapse of 2008. Our base case projection for 2013 US home price appreciation is now 6.2%, up from 3.5%. Our base case projections for 2013 home price appreciation in Arizona, California, Florida and Nevada are now 13.8%, 10.8%, 7.6% and 10.0% respectively, up from 9.0%, 5.2%, 4.5% and 5.8%.

Projected losses

Figures 2 and 3 illustrate the net effect of the home price scenario and non-agency model updates on projected defaults and losses. Projected base case losses are lower by 10%-20% across most cohorts. For example, projected base case default/loss for 2006 jumbo fixed rate mortgages are now 23%/10%, down from 26%/12% in the online model. For 2006 option ARMs, projected base case default/loss is now 57%/32%, down from 61%/36%, and for 2006 vintage 1st lien subprime mortgages, projected default/loss is now 64%/42%, down from 68%/48%.

FIGURE 1

Changes to HPA scenarios for US and key states

Projections (% / year)								
New					Online			
State	2013	2014	2015	2016	2013	2014	2015	2016
Strong Recovery								
US	11.6	11.1	9.9	9.6	8.7	8.2	9.3	8.6
AZ	20.9	14.0	8.6	8.5	15.2	8.9	9.6	10.5
CA	19.5	14.4	10.4	10.6	12.2	7.3	9.9	12.2
FL	14.7	12.5	10.2	11.4	10.8	8.0	9.9	12.4
NV	16.9	14.7	11.0	10.0	12.0	10.2	11.4	10.8
Recovery								
US	9.8	9.3	8.1	4.4	6.9	6.5	6.6	4.7
AZ	18.5	12.1	6.7	2.2	13.1	7.4	6.6	4.7
CA	16.6	12.0	8.2	3.1	9.9	5.8	6.8	5.7
FL	12.3	10.4	8.1	4.5	8.7	6.3	6.6	6.2
NV	14.6	12.5	8.9	3.6	9.9	8.5	8.3	5.7
Base Case								
US	6.2	5.8	4.6	4.4	3.5	3.0	4.0	4.7
AZ	13.8	8.2	2.9	1.6	9.0	4.5	3.6	3.1
CA	10.8	7.4	3.7	2.5	5.2	2.9	3.5	3.7
FL	7.6	6.2	3.9	3.9	4.5	3.0	3.3	4.5
NV	10.0	8.3	4.8	3.5	5.8	4.9	5.2	5.1
Stress								
US	2.8	2.4	1.2	4.4	0.2	-0.3	1.5	4.7
AZ	9.1	4.4	-0.6	1.5	5.4	1.8	2.5	3.4
CA	5.3	2.7	-0.7	2.6	0.8	-0.2	2.6	4.4
FL	2.9	2.1	-0.1	3.8	0.7	0.2	2.1	4.8
NV	5.6	4.2	0.8	3.4	1.9	1.6	3.2	5.2
Severe Stress								
US	1.1	0.7	-0.5	-0.7	-1.5	-2.0	-1.0	0.9
AZ	6.8	2.6	-1.5	-2.6	3.4	0.8	1.2	1.1
CA	2.6	0.4	-1.8	-2.5	-1.5	-1.3	1.3	2.1
FL	0.7	0.2	-1.1	-0.7	-1.2	-0.8	0.9	2.4
NV	3.5	2.2	-0.8	-2.0	0.0	0.1	1.1	1.8
Down 20%								
US	-10.3	-5.0	-4.4	0.8	-9.9	-5.2	-2.2	-1.2
AZ	-8.1	-2.8	-2.3	0.4	-6.9	0.6	2.9	0.6
CA	-14.8	-6.4	-3.1	1.3	-13.7	-0.9	3.9	2.2
FL	-13.9	-5.3	-2.1	2.3	-11.4	-0.9	2.6	1.9
NV	-10.7	-4.3	-4.2	0.0	-10.1	-1.8	1.2	0.4

Source: CoreLogic, Barclays Research

FIGURE 2

Projected cumulative defaults and losses, new HPA scenarios and Beta non-agency model with servicer effects

Barclays Scenarios										
Sector	Issue Yr	UCLTV	Down 20%		Severe Stress		Base Case		Strong Recovery	
			Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	66	13	6	9	3	7	2	7	2
	2005	89	31	16	21	9	15	6	13	4
	2006	102	42	24	31	15	23	10	19	8
	2007	103	46	25	34	16	25	11	21	8
Jumbo Hybrid	2004	71	14	6	11	4	9	3	8	2
	2005	91	27	14	19	8	15	5	13	4
	2006	102	42	22	31	14	23	9	19	6
	2007	102	52	28	39	18	30	12	25	9
Alt-A Fixed	2004	73	29	17	22	11	18	8	16	6
	2005	94	44	28	35	20	28	14	25	11
	2006	107	61	44	51	33	44	25	39	20
	2007	105	63	43	53	32	45	25	40	20
Alt-A Hybrid	2004	86	35	18	27	12	22	8	19	6
	2005	107	52	32	42	22	35	16	30	12
	2006	120	68	47	59	36	51	28	45	22
	2007	117	73	49	64	38	55	30	49	24
Alt-A Negam	2004	86	42	23	34	16	30	12	27	9
	2005	107	58	39	50	29	44	23	40	18
	2006	123	72	50	64	40	57	32	51	26
	2007	122	74	51	66	40	59	32	53	25
Subprime 1st Lien	2004	83	51	36	42	26	37	20	33	17
	2005	104	69	52	59	40	52	32	47	26
	2006	117	80	64	71	51	64	42	58	34
	2007	115	80	63	71	50	63	40	57	33
Second Lien	2004	86	31	29	23	22	19	17	16	15
	2005	104	48	46	38	36	31	30	26	25
	2006	112	51	50	41	40	34	32	28	26
	2007	117	57	55	46	44	39	36	33	30

Note: Projections are as of February 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 and online non-agency model

Barclays Scenarios										
Sector	Issue Yr	UCLTV	Down 20%		Severe Stress		Base Case		Strong Recovery	
			Default	Loss	Default	Loss	Default	Loss	Default	Loss
Jumbo Fixed	2004	68	16	7	11	4	8	3	8	2
	2005	93	34	17	25	11	17	7	14	5
	2006	105	46	24	35	18	26	12	21	9
	2007	107	50	26	39	19	28	13	23	10
Jumbo Hybrid	2004	74	14	6	11	4	9	3	8	3
	2005	95	28	13	21	9	16	6	13	5
	2006	107	44	22	34	16	25	10	20	8
	2007	106	55	28	44	21	33	15	27	11
Alt-A Fixed	2004	75	33	19	26	13	20	9	18	7
	2005	97	48	30	39	22	31	16	27	12
	2006	110	65	44	56	36	47	28	41	22
	2007	109	66	43	58	35	48	27	42	22
Alt-A Hybrid	2004	89	37	18	30	13	24	9	21	7
	2005	111	55	31	46	24	39	18	32	14
	2006	125	71	45	63	38	55	30	48	24
	2007	122	75	48	68	40	59	32	52	26
Alt-A Negam	2004	89	45	24	39	19	33	15	30	11
	2005	111	61	39	55	33	48	27	43	22
	2006	128	74	49	68	43	61	36	56	30
	2007	127	77	49	71	43	64	36	58	29
Subprime 1st Lien	2004	85	57	43	49	33	42	25	37	20
	2005	107	73	57	65	47	57	38	52	31
	2006	120	82	68	75	58	68	48	62	40
	2007	118	83	66	76	56	68	46	62	38
Second Lien	2004	88	36	35	29	28	23	22	20	18
	2005	107	53	51	44	43	36	34	30	28
	2006	115	57	56	49	47	40	38	33	31
	2007	119	61	60	53	51	44	42	37	35

Note: Projections are as of February 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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