FitchRatings

Structured Finance
Commercial Mortgage Servicer
North America

Torchlight Loan Services, LLC

Ratings

Commercial Special Servicer[a]	CSS2–

[a]Last Rating Action: February 2021.

Related Research

Fitch Affirms Torchlight's Commercial Special Servicer Rating (February 2021)

Applicable Criteria

Criteria for Rating Loan Servicers (February 2020)

Criteria for Rating North American Commercial Mortgage Servicers (January 2020)

Torchlight Loan Services, LLC (TLS, or the company) is the special servicing subsidiary of Torchlight Investors, LLC (TI), a New York-based investment advisor whose core business is the management of commercial real estate (CRE)-related debt investments for institutional investors. TI has $3.9 billion in funds under management that focus on CRE debt strategies on behalf of more than 50 investor clients as of September 2020.

The company is the named special servicer for 417 loans totaling $7.5 billion, the vast majority of which are securitized in more than twenty CMBS transactions. TLS's largest client is TI, which represents approximately one-third of named special servicing by transaction count. The company has grown and diversified its third-party special servicing portfolio to include servicing for 10 distinct clients including investment managers and hedge funds. While TLS's most recent servicing assignments occurred in 2018, TI has purchased controlling classes of Freddie Mac transactions for which a third-party servicer is named consistent with Freddie Mac's policies to mitigate potential conflicts of interest. Investments from TI's DF VI and VII funds are expected to bring new servicing assignments to TLS in 2021.

TLS received 71 requests for debt relief due to the negative economic impact of the coronavirus pandemic on CRE representing approximately $1.1 billion in outstanding balance as of December 2020. More than 80% of the requests by balance were secured by hotel and retail assets. Approximately 20% of requests for relief were subsequently withdrawn by borrowers with the remaining requests either granted, denied or transferred to special servicing for a formal workout. Debt relief provided to borrowers included short-term principal or interest forbearance, waivers of impounds or certain performance covenants and the use of reserves for debt service payments.

Servicer Ratings

- Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust, by servicing and administering the mortgage loans.
- The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting, and timely remittance of funds to trustees.
- Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate-owned assets. The special servicer is responsible for working out loans, foreclosing and liquidating assets.
- In assessing and analyzing the capabilities of primary, master, and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems and, with respect to the special servicer, workout and asset disposition experience and strategies.
- Fitch rates commercial mortgage primary, master, and special servicers on a scale of 1 to 5, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (–) as well as the flat rating.

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Key Rating Drivers

Company and Management: TLS provides asset management and special servicing support for TI's CRE investments as well as third-party special servicing assignments. TI manages multiple funds that selectively invest and haven't invested in conduit B-pieces since 2018 leading to a concentrated and declining portfolio. However, the company maintains sufficient capacity in its funds to purchase one to two transactions annually for which TLS may be the named servicer. Management has a long track record of securitization market participation, and their most recent investment fund, which exceeded its target goal, is expected to provide capital for three to four CRE securitization investments annually.

Staffing and Training: TLS seconded five employees from TI in 2020 to address the increase in special servicing transfers and performing loan requests as a result of the coronavirus pandemic increasing the total number of special servicing employee to 20. Three employees are fully dedicated to TLS with the remainder shared resources of TI. Senior managers average 22 years of experience and 10 years of tenure while middle managers average 15 years and two years, respectively. Turnover in 2020 was low at 6% and down from 13% the prior year due to one employee separation and employees completed an average of 40 hours of training during the year.

Fitch classified two senior, one middle manager and four staff-level employees as asset managers. Three asset managers are fully dedicated to special servicing while the remaining four are shared staff from TI. Collectively, asset managers average 13 years of experience and six years of tenure. As of December 2020 ,the ratio of specially serviced assets to asset managers was 6:1, lower than other Fitch rated conduit special servicers indicating sufficient capacity to handle current and expected servicing responsibilities.

Financial Condition: Fitch Ratings does not rate TI. However, Fitch performed a financial assessment of TI and determined that the company's short-term financial viability is sufficient to support the servicing platform.

Technology: TLS's primary asset management application is a custom-built version of Backshop, which was designed and continues to be enhanced to support asset management and tracking, investor reporting and scenario-modelling capabilities, in addition to the existing commercial loan underwriting features. While sufficient to meet the current servicing needs of TLS, new features and significant enhancements occur less frequently than those observed at highly rated servicers. Recent technology enhancements have focused on new collaborative tools and digital signatures given the company's temporary transition to remote working.

Procedures and Controls: The maintains detailed special servicing policies supplemented by desktop procedural checklists and servicing guides that are reviewed annually. TLS does not maintain compliance or independent internal audit functions. However, the company engages a third-party audit firm to perform internal audits of special servicing operations every two years and leverages the compliance resources of TI. The most recent audit occurred in 2018 and did not result in any material findings. The company is currently undergoing its 2020 internal audit, which will be similar in scope to 2018, albeit with a larger population of loans to sample. Ongoing compliance is monitored by the head of special servicing, delegations of authority and formal credit committee reviews for all significant workout decisions for loans. Additional support is provided by the TI financial control group, which is shared with TI and the chief compliance officer of TI.

Defaulted/Nonperforming Loan Management: The head of special servicing along with a senior associate interface with master servicers monthly to monitor potential loan transfers. Special servicing asset management and REO functions are not segregated given the small team and limited number of active defaults. TLS is proactive in its surveillance practices via regular communication with master servicers for CMBS transactions in which it is the named special servicer. In 2020 the company resolved 16 loans totaling $238.9 million, three of which were REO sales and the remaining returned to performing.

Governance and Conflicts of Interest: Special servicing decisions are made by a committee comprising six members, two of whom are members of the TI investment committee. All special servicing committee decisions require the unanimous consent of all members.

Company Experience Since

CRE Loan Workout	1998
CRE Servicing	1998

Source: Torchlight Loan Services, LLC.

Operational Trends

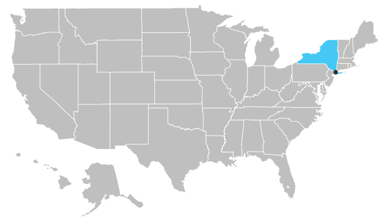
Business Plan	■	Stable business plan with steady flow of new business offsetting portfolio declines
Servicing Portfolio	▼	Less than 10% year-over-year growth by loan count or runoff in the portfolio
Financial Condition	■	Stable Outlook
Staffing	■	Staffing changed less than 12% +/–
Technology	■	Stable technology platform
Internal Controls	■	Stable control environment, no material audit findings
Servicing Operations	■	Stable operations, no material changes year-over-year

Source: Fitch Ratings.

Company Overview

TLS is sponsored by its parent, TI, which was founded in 1995 and is a New York-based, SEC-registered investment advisor specializing in CRE debt finance and investments. The parent company was previously known as ING Clarion Capital, LLC. In July 2010, ING Groep NV (ING) sold its minority interest in ING Clarion Capital and its subsidiary, ING Clarion Capital Loan Services, LLC, to the parent company's management and principals. The parent company was renamed TI.

Office Locations



Primary Office: New York, NY

Servicing Portfolio Overview

	12/31/20	% Change	12/31/19	% Change	12/31/18
Special Servicing — Named					
UPB ($ Mil.)	7,550.6	(37)	11,945.0	(20)	14,891.9
No. of Loans	417	(40)	693	(22)	883
Special Servicing — Active[a]					
UPB ($ Mil.)	955.0	140	397.5	(41)	671.9
No. of Loans	43	231	13	(46)	24

[a]Including REO. UPB — Unpaid principal balance.
Source: Torchlight Loan Services, LLC.

TLS's servicing portfolio of 417 loans, which is highly concentrated in legacy CMBS transactions, declined 37% by balance in 2020. However, TI debt funds have capacity to purchase CMBS B-pieces through 2024, some of which TLS may be named special servicer.

TLS (including its predecessor, ING Clarion Partners) was formed in 1998. The company became a Fitch-rated servicer in 1999 to work out distressed CRE debt loans and REO assets on behalf of TI. TI's core business continues to be the management of CRE-related debt investments including first mortgages, mezzanine and preferred equity loans, equity investments and CMBS. The company has approximately $3.9 billion under management in benchmarked, opportunistic and long- and short-term CRE debt strategies as of September 2020.

TI has raised and managed seven closed-end debt funds (DFs) since 1996 and is currently in the process of raising its seventh fund. The funds have ranged in size from $280 million to $1.7 billion, with the first three funds fully realized. TI's DF IV and V funds are currently being harvested. Fund VI launched in 2017, received capital commitments of approximately $1.7 billion when it closed in February 2019, above the original goal of $1.5 billion. The DF VI, whose investment period ends in 2022, is a 10-year fund (with two one-year extensions) structured to accommodate CMBS investments with horizontal risk retention rules targeting three to four CMBS transactions annually subject to market conditions, as well as other CRE investments.

DF VI includes controling class positions in two 2018 vintage multiborrower CMBS transactions for which TLS is the named special servicer, as well as two Freddie Mac CME transactions with third-party special servicers.

TI launched DF VII, with a similar investment profile to DF VI, in 2020. DF VII, which has the ability to invest through September 2024, has raised in excess of $1.8 billion as of February 2021 and is expected to be TI's largest investment fund when in closes in 2021. TI fund investments in CMBS transactions are likely to increase TLS's named special servicing portfolio while investments in Freddie Mac CME transactions are given to third-party servicers.

Financial Condition

Fitch does not maintain credit ratings on TI. However, Fitch performed a financial assessment of TI and noted the company has overall shown a fairly stable income stream, good liquidity position and flexible financial profile.

TORCHLIGHT
LOAN SERVICES

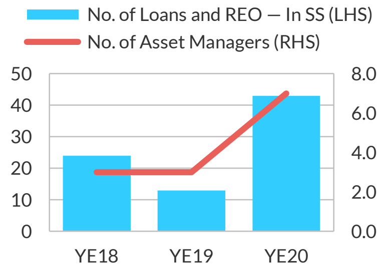
TI experienced growth in its financial profile, notably in revenue (growth percentage) and EBITDA trend from the prior review (2019 to 2020F). Special servicing revenues increased in 2020 as a result of coronavirus pandemic related pressures on distressed loans and 2021 levels are expected to remain similar. Fitch also notes that TI's reliance on asset management fees from a limited number of funds elevated vulnerability in the unlikely event the funds are liquidated and management fees are not replaced. TI completed the first close of its seventh fund (DF VII) in June 2020 and had $1.75 billion in capital committed as of Jan. 1, 2021.

Turnover in 2020 was low at 6% and isolated to one staff level employee. Conversly, TLS added five employees from TI to assist with the increased number of transfers to special servicing as a result of the coronavirus.

Employees

As of December 2020, the special servicing team consisted of 20 professionals, up from 16 employees the prior year. Three employees including the head of special servicing and two asset managers are fully dedicated to special servicing. In addition, the special servicing team includes a full time dedicated asset analyst consultant that is not included in Fitch's employee metrics. The remaining 17 are employed by TI but split their time between TI and TLS; they include the senior manager responsible for TLS who is also responsible for TI fund asset management. The shared functions include areas such as accounting, financial controls, COO and CEO, as well as senior officers of TI who serve on the TLS credit committee. The chief compliance officer of TI, who spends approximately 20% of his time supporting TLS, is also a retained as a part-time consultant and therefore not reflected in Fitch's employee statistics.

SS Loan and Employee Counts



SS – Special Servicing. REO – Real estate owned.
Source: Torchlight Loan Services.

Employee Statistics

	2020				2019			
	No. of Employees	Average Years Industry Experience	Average Years Tenure	%Turnover	No. of Employees	Average Years Industry Experience	Average Years Tenure	%Turnover
Special Servicing								
Senior Management	8	22	10	0	8	22	9	0
Middle Management	2	15	9	0	1	13	8	67
Servicing Staff	10	9	4	12	7	8	2	15
Total	**20**	—	—	**6**	**16**	—	—	**13**

Source: Torchlight Loan Services, LLC.

Fitch notes that only 15% of TLS employees are fully dedicated to special servicing. The remaining employees are TI employees who spend between 10% and 50% of their time supporting special servicing.

As a result of increased special servicing activity stemming from the ongoing impact of the coronavirus pandemic on commercial real estate, TLS added five shared employees from TI. The five employees, who average 11 years of experience and six years of tenure, are simultaneously responsible for underwriting, acquisitions and asset management for TI while also dedicating approximately 20% of their time to performing special servicing asset management.

Aggregate employee turnover was low in 2020 at 6%, down from 13% the prior year as a result of one employee separation at the staff level. The separation was backfilled by a full-time consultant as the company seeks to hire a special servicing analyst and asset manager in 2021. The isolated staff-level departure did not negatively affect the average employee tenure and experience.

The eight members of the senior management team, two of which are fully dedicated to TLS, average 22 years of experience and 10 years with the company, while middle managers have 15 years and nine years, respectively. Special servicing staff, one of which is fully dedicated and nine comprise shared resources, average nine years of experience and four years with the company.

Fitch classified two senior managers, one middle manager and four staff-level employees as asset managers. Three asset managers are fully dedicated to special servicing while the remaining four are shared staff from TI. Collectively, seven asset managers average 13 years of experience and six years of tenure. As of December 2020, the ratio of specially serviced assets to asset managers was 6:1, lower than other Fitch-rated conduit special servicers. Asset managers are supported by a dedicated analyst consultant with two years of experience.

Training

Management's goal is for employees to attend an average of 40 hours of training annually through a formal training program, including external instructor-led training and lunch-and-learn sessions. One senior vice president of special servicing is the designated training coordinator responsible for working with the head of special servicing to identify potential topics and coordinate external trainers. Training needs are evaluated based on the level of staff experience and individual strengths and weaknesses. TLS provides expense reimbursement for continuing education expenses for CFA and CPA designations, as well as professional educational programs.

TLS reports employees completed 40 hours of training on average in 2020, which is tracked by the operations department using spreadsheets. Recent training topics included hospitality market trends, federal foreclosures and receiverships, loan and pooling pooling and servicing agreement (PSA) documentation, Florida enforcement and foreclosures, lender liability, ground leases and operating advisors, among others. Additionally, all employees completed four hours of compliance training.

TLS's primary training method for employees is on the job, pairing asset managers and analysts with team leaders. While this may be an effective method for TLS's open space work environment, it is not reflected in formal training hours.

Operational Infrastructure

Outsourcing

Torchlight does not outsource core special servicing functions. However, the company has historically supplemented its staffing needs through the use of consultants. Two CRE focused staffing companies provides personnel to TLS as needed. As of December 2020, one consultant was engaged to support special servicing, although TI has additional consultants to supplement staff.

TLS entered into new vendor relationships with an insurance consultant for corporate and collateral insurance matters as well as a new real estate tax appeal vendor. The company, through its parent company, has a long standing relationship with an information technology vendor for information technology administration and support.

Vendor Management

TLS instituted formalized vendor engagement procedures in 2020 and ongoing compliance monitoring. New vendors require the approval by the TI Controller subsequent to appropriate documentation and a risk assessment of the vendor which evaluates the vendors access and use of confidential information. TI also independently verifies the information submitted by the vendors as well as it's business standing and ability to perform the functions by jurisdiction.

The heads of special servicing and asset management must approve all special servicing vendor assignments and actively provide feedback on past performance. Vendor assignments are tracked in the company's special servicing application, which produces customized reports to analyze trends in vendor performance and exposure.

Information Technology

TLS's primary asset management application is Backshop (version 7.0), which was designed and then enhanced by TLS and the vendor to support asset management and tracking, investor reporting and scenario-modeling capabilities, in addition to the application's commercial loan underwriting features. Variations of the asset management application are also used by other Fitch-rated special servicers.

The Backshop application is populated with CREFC IRP (Commercial Real Estate Finance Council – Investor Reporting Package) data fields from various trustees for all transactions in which TLS is the named special servicer. Backshop's reporting functions provide TLS with internal controls around workout milestones, including recording formal approvals, as well as CREFC IRP (version 8.1) and ad hoc reporting. Backshop also contains PSA requirements, deadlines and documentation for TLS transactions to support some systematic internal controls for monitoring deliverables, e.g. inspections and appraisals.

TLS through its parent implemented new vendor engagement procedures in 2020, including risk assessment of each vendor that consider the vendors access to confidential information.

While Backshop is sufficient to meet the current servicing needs of TLS, new features and significant enhancements occur less frequently than those observed at highly rated special servicers. Recent examples of technology enhancements in special servicing include workflow automation, third-party data integration and optical character recognition and automated robotic processing tools.

TI employees seconded to special servicing employees were provided eight hours of formalized special servicing training to supplement on-the-job training to refamilurize them with TLS policies and procudures.

In addition to Backshop, TLS employees use SharePoint for document management, the complete suite of Microsoft Office products, SAP Concur for expense management and vendor management, and CoStar to aid in analysis and workouts. Ad hoc reporting is available from both TI's data warehouse and a separate Backshop data warehouse.

Recent technology enhancements include implementing tools to support remote working including DocuSign and Zoom. In 2021, the company expects to introduce Microsoft Teams for communication and a new centralized file system as well as potential enhancements to Backshop to support workflow processes. Fitch noted while Backshop is sufficient to meet the servicing needs of TLS, there have not been significant upgrades or new functionality as observed at highly rated Fitch servicers.

TLS transitioned all employees to remote working in March 2020 as a result of the coronavirus pandemic. The company did not experience any business interuption and is in the process of adding new collaborative tools to further support remote working.

Network and desktop support is provided by a third-party contractor who provides 24-hour desktop support and a part-time on-site engineer. Support for Backshop is continuously available by phone and e-mail from the vendor, as well as from a select group of TLS employees with the most experience.

Disaster Recovery/Business Continuity Plan

TLS, through TI, maintains disaster recovery and business continuity processes that are tested on a regular basis and annually at minimum. The disaster recovery process is also outsourced to the company's third-party IT vendor, which hosts TI's data and applications at both a primary data center in New Jersey and a disaster recovery site in California. Disaster recovery testing is performed about once every six months; the most recent test occurred in October 2020 with successful results and no material exceptions. Backstop's most recent disaster recovery test was in June 2020 and likewise had successful results.

The support provided by ECI for management of the disaster recovery process includes monitoring and maintaining both data replication and the associated IT hardware and applications at the disaster recovery data center. Data are backed up through replication technology that regularly copies all data from the primary data center to the disaster recovery site, making the maximum possible data loss time in an event of disaster 30 minutes or less. Should a disaster event occur, TLS employees have access to systems through remote access, which has a stated recovery goal of four hours to six hours.

TLS does not maintain employee backup or hot site locations if its primary office is inaccessible; it relies on a work-from-home strategy dependent on power and internet availability. TLS also has a private agreement with a third-party servicer to host up to five employees in their Atlanta office in the event the New York office is inaccessible; however, Fitch notes the difficulty New York employees would face if relocating to Atlanta was necessary.

Internal Control Environment

TLS's internal control environment features high-level policies and procedures, manager oversight, dual reviews of external reports and a formal special servicing committee for all workout decisions. Internal compliance is shared with TI and focused on SOX (Sarbanes-Oxley Act) controls, and employees are required to certify compliance with policies and procedures quarterly. While the company does not maintain dedicated audit resources, TLS engages a third-party audit firm to perform operational audits every two years.

Policies and Procedures

Fitch found TLS's policies and procedures manual and supplemental checklists to be sufficiently detailed to perform asset management functions.

The special servicing manual is reviewed annually, with changes or updates made as necessary. The heads of special servicing and financial controls are responsible for changes and updates that the head of asset management, COO and chief compliance officer review and approve prior to implementation. Recent changes reflect the greater role the TI financial control group, which operates independently of servicing, takes in TLS's processes as well as the company's new vendor engagement procedures.

The policies and procedures manual is distributed to employees via the company's intranet. All new employees receive training (they are required to review the manual), and important updates are distributed by e-mail as necessary. Employees are required to attest their compliance with TLS policies and procedures in addition to gift and entertainment, conflict of interest and political contribution policies. Fitch reviewed the 2020 version of TLS's policies and procedures manual, which provides an overview of special servicing – including the analysis of loan, property and sponsor attributes, as well as strategies and rationales for evaluating potential resolution methods.

In addition to policies and procedures, TLS maintains supplemental checklists that have been incorporated within its asset management functions, outlining key steps for loan transfers, changes in special servicer, loan modifications, foreclosures and deed-in-lieu. The checklists, also reviewed by Fitch, outline basic procedures to be performed in a step-by-step format and specifically identify approved templates for borrower correspondence, business plans and internal resources.

TLS does not maintain dedicated internal compliance resources independent of servicing to monitor operational compliance. The heads of special servicing and asset management are responsible for monthly monitoring of compliance, using exception reports for key deliverables, which are effective controls to monitor servicing requirements.

Compliance and Controls

TLS addresses quality control and compliance through its policies and procedures, automated ticklers within Backshop for key milestones and multiple levels of review for items such as remittance reports and business plans.

Ongoing workout progress is reviewed weekly by the heads of special servicing and asset management during team meetings in which asset managers update their business plans and projections for resolution. The group heads also review all external commentary and approve all major decisions prior to the company's credit committee.

Additionally, the heads of special servicing and financial control are responsible for servicing compliance through monthly exception reporting that utilizes the company's data warehouse and Backshop as well as reviewing all remittance reports prior to issuance. Monthly compliance reports are generated and reviewed to confirm servicing requirements are met, including key servicing agreement deadlines and timely appraisals, REO budgets, insurance and site inspections, among other key deliverables.

The company also uses a delegation of authority process whereby only vice presidents or higher ranking executives may sign contracts or engage third-party services on behalf of the trusts they represent. The company also views the use of delegations of authority and the requirement of dual signatories to request funding for REO assets as effective internal controls to monitor REO assets and advancing.

The company itself does not have an internal compliance function dedicated to servicing given the limited number of active specially serviced loans. However, TI, as an SEC-registered investment advisor, has an internal compliance function staffed by the chief compliance officer, who is a third-party consultant. While focused primarily on SOX controls, the compliance group monitors conflicts of interest and disclosures of non-public information for TLS.

Internal Audit

TLS does not have an independent internal audit function that performs regular risk-based audits of special servicing functions. Rather, the company outsources internal audit functions to a third-party firm that performs internal audit reviews every two years. The company began outsourcing internal audits in 2016, and in 2018 it engaged a new firm, Baker Tilly, to perform the most recent audit, citing that firm's experience and familiarity with TLS as the financial statement auditor of TI.

The 2018 Baker Tilly audit, which was completed in May 2019, covered special servicing operations that include cash collection and administration, accounts payable and advances, special servicing administration, Backshop system workflow and investor and master servicer reporting procedures for all of 2018. The audit included representative sample testing of reports and 59 key controls.

Fitch reviewed the completed audit, which contained a detailed overview of controls testing and sample sizes and had no material adverse findings. The audit contained two moderate observations pertaining to one late bank reconciliation and vendor oversight that management sufficiently addressed through additional controls administered by the Financial Controls group. The audit also included four low risk findings that Fitch deemed minor and sufficiently addressed. Additionally, the audit contained six control improvement recommendations, which management implemented in 2019.

The company has engaged Baker Tilly to perform its 2020 internal audit, which will be similar in scope to the 2018 review. The 2020 operational audit is expected to be completed in 2Q21.

External Audit

At the time of Fitch's review, the most recent external audit of TLS was Regulation AB (Reg AB) audit for 2019 as a special servicer for securitized transactions. Fitch reviewed the 2019 Reg AB audit completed by Cohn Reznick LLP, which has audited TLS for the past several years. The audit determined that TLS complied with servicing criteria set forth in Reg AB for the year ended Dec. 31, 2019, as evidenced by management's attestation.

Cohen Reznick is in the process of completing the 2020 Reg AB report with a final report expected to be issued in March 2021. Management stated there have been no preliminary findings reported by the auditor and they expect a clean audit opinion for 2021.

Special Servicing

Special Servicing Portfolio

As of Dec. 31, 2020, TLS was the named special servicer for 21 CMBS transactions, representing 416 loans totaling $7.5 billion. Of its CMBS special servicing portfolio, the company was actively working out 38 CMBS loans representing $774.0 million in outstanding balance and managing four REO assets representing $146.7 million in unpaid principal balance. As of the same date, TLS was servicing one nonsecuritized REO asset representing $34.3 million from a CRE CDO on behalf of a third party.

Special Servicing Portfolio Overview

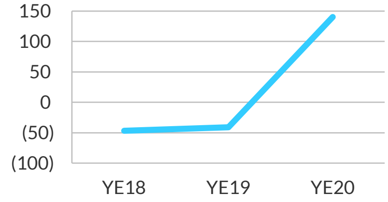
	12/31/20	% Change	12/31/19	% Change	12/31/18
CMBS					
No. of Transactions — Special Servicer	21	(19)	26	(21)	33
UPB — Special Servicer ($ Mil.)	7,516.3	(37)	11,880.4	(20)	14,790.3
No. of Loans — Named Special Servicer	416	(40)	690	(21)	877
UPB — Actively Special Servicer (Non-REO) ($ Mil.)	774.0	189	268.2	54	174.3
No. of Loans — Actively Special Servicer (Non-REO)	38	322	9	(10)	10
UPB — REO Assets ($ Mil.)	146.7	54	95.1	(79)	463.4
No. of REO Assets	4	33	3	(77)	13
Non-CMBS					
UPB — Named Special Servicer ($ Mil.)	34.3	(47)	64.5	(37)	101.7
No. of Loans — Named Special Servicer	1	(67)	3	(5)	6
UPB — Actively Special Servicing (Non-REO) ($ Mil.)	0	–	0	–	0
No. of Loans — Actively Special Servicing (Non-REO)	0	–	0	–	0
UPB — REO Assets ($ Mil.)	34.3	–	34.3	–	34.3
No. of REO Assets	1	–	1	–	1

UPB — Unpaid principal balance.
Source: Torchlight Loan Services, LLC.

TLS's CMBS special servicing portfolio includes two single-borrower single-asset (SASB) transactions and 19 multi-borrower conduit transactions issued between 2002 through 2018. Approximately one-third of the company's servicing assignments are on behalf of TLI with the remaining assigned by eight third-party unaffiliated investors. TLS has prior experience servicing Freddie Mac securitized transactions and expects to continue to be named special servicer for all types of securitizations going forward.

Special Servicing Portfolio

(% Change from Prior Period)

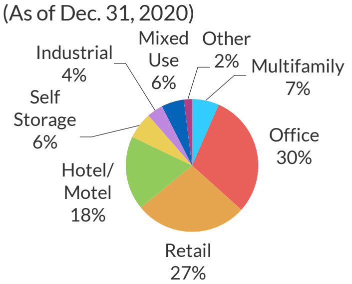


Note: Special servicing includes loans actively in special servicing (including REO).
Source: Torchlight Loan Services, Inc.

TLS engages a third-party audit firm to perform internal audits every two years with the most recent audit in 2018. The company has begun its 2020 audit, which is similar in scope to the 2018 review.

CMBS Named Special Servicing by Property Type

(As of Dec. 31, 2020)



Source: Torchlight Loan Services.

Loan Administration

TLS is proactive in its surveillance practices via regular communication with master servicers for CMBS transactions in which it is the named special servicer. TLS utilizes Backshop to monitor loan performance. The application gives TLS access to real-time CREFC reporting data from master servicers and trustees. The head of special servicing and a special servicing associate use monthly CREFC reports to monitor delinquencies and underperforming loans and may request additional information from master servicers.

Additionally, the special servicing team maintains a proprietary database of the company's bonds, from which the major tenant, location and rent exposure are assessed. The company cross-references this database with major company announcements and news items (such as bankruptcies, mergers and major disasters) and shares this information with the special servicing group.

Defaulted/Nonperforming Loan Management

Upon notification of a servicing transfer event, the relevant loan documents and historical information are requested from the master servicer under supervision of the head of special servicing. The loan documents and original underwriting information are reviewed by the asset manager and legal counsel to obtain a clear understanding of the loan structure, the existing lender protections and the economic conditions present both currently and at the time of origination.

Within 90 days of the loan's transfer to special servicing, TLS creates a business plan, obtains an updated appraisal and obtains at least one broker opinion of value. The company does the same within 60 days of the conversion of a loan to REO status. Asset managers work with legal counsel and other third-party vendors to develop a resolution strategy, requiring approval from the team leader and special servicing committee. Asset status reports are created and distributed per guidelines in the PSA, and monthly remittance reports provide updates.

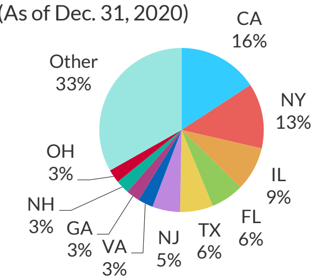
All special servicing functions, including the creation of asset status reports and business plans, consent tracking, cash flow modeling, contract management and disposition strategy development and analysis take place in Backshop.

For market research, the company uses third-party data providers (CoStar and Trepp), local market contacts and proprietary data to identify other defaulted loans in the same submarket or by the same borrower to determine a strategy. The asset manager is also responsible for obtaining or performing a physical property inspection, generally within 30 days. In addition to using various data sources and publications in conducting its market research for newly transferred loans, the special servicing team identifies local brokers from which to obtain broker opinions of value.

TLS's special servicing committee is an additional internal control around the workout process, as each workout is subject to approval from the relevant members of the six-member committee. The special servicing committee comprises three members of the TI senior management team, an independent external advisor and two senior TLS managers whose approval is required for business plans, significant lease approvals, foreclosure filings, discounted payoffs, loan modifications and assumptions, foreclosure bid strategies and REO business plans and liquidations.

CMBS Named Special Servicing by State

(As of Dec. 31, 2020)

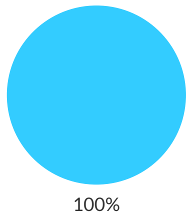


Source: Torchlight Loan Services.

TLS's special servicing portfolio is a mix of legacy and post-2011 vintage CMBS transactions. While primarily a captive servicer for TI, TLS has been successful in obtaining servicing assigenements from 10 third-party clients.

Non-CMBS Named Special Servicing by Property Type

(As of Dec. 31, 2020)



Source: Torchlight Loan Services.

REO Management

When a property is put into receivership or a foreclosure is completed, the asset manager oversees property-level operations and develops the ultimate resolution strategy. The asset manager works with the property manager to develop a budget and with other third-party service providers to develop a business plan to maximize net present value (NPV) at resolution. Budgets, which must be approved annually by senior management, include operating and capital expenses necessary to operate and maintain the property for sale. The asset manager monitors budget variances monthly as part of the funding request process.

TLS's policies and procedures generally require updated business plans for REO assets to be presented to the special servicing committee within 90 days of foreclosure, although the company notes that complex assets may take longer than 90 days. Approved REO business plans are reviewed no less than annually by the special servicing committee or more frequently if there is a significant change in strategy, occupancy or pending liquidation.

Fitch noted a concern over potential conflicts of interest between TLS and TI. While partially mitigated through policies and procedures, the two firms closely share office space and employees, and TI employees represent one-half the members of TLS's special servicing credit committee.

Torchlight utilizes a property manager oversight program for REO assets. The program consists of a third-party audit firm engaged by TLS, on behalf of the trust, with the ultimate goal of auditing 15% to 20% of eligible firms annually. The scope of the audits include rental income reporting and collection verification, reviews of expense processing, cash account reconciliations, a common area accounting review, a review of third-party contractors and a compliance review of the property management agreement.

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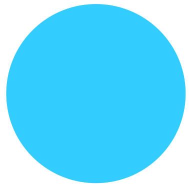

Source: Torchlight Loan Services.

Governance and Conflicts of Interest

Managing Conflicts of Interest

Potential conflicts of interest in special servicing can arise through various forms, particularly as investors retaining controlling positions in securitizations or specific loans have influence on workout strategies and the ability to select the special servicer.

While the company performs third-party special servicing for investment managers and private equity firms that hold nonsecuritized B notes and hedge funds that hold controlling class bonds, approximately one-third TLS's named special servicing assignments are on behalf of its parent. Fitch notes as a potential conflict of interest that half the members of the six-member TLS special servicing credit committee are employees of TI. The committee, whose members average approximately 26 years of CRE experience, comprises three senior employees of TI, two employees of TLS and one independent advisor. Additionally, decisions made by the special servicing committee require the unanimous consent of all members.

Torchlight manages potential conflicts of interest on two levels: first, through its policies and procedures, which require that all major special servicing decisions be made by the special servicing committee (although TI employees represent one-half of the committee); and second, through TLS and TI compliance and code of ethics policies with which employees are required to certify their compliance annually. Notwithstanding shared employees and office space between TLS and TI, the policies address the disclosure of confidential information and potential conflicts of interest that may arise through the normal course of business. Limited mitigants to potential conflicts of interest are considered in the rating.

Fitch reviewed a sample of business plans for approximately eight specially serviced loans and found that these plans were sufficient and generally reflected the consideration of alternate resolution strategies, with an NPV analysis to support the ultimate workout strategy when warranted.

Affiliated Companies

Neither TLS nor TI currently has affiliate companies that provide real estate management or CRE property brokerage services. TI or affiliate entities may provide CRE financing options for maturing loans or loans being worked out by TLS.

Members of TLS's special servicing credit committee include an outside senior advisor, the co-chief investment officer of TI, the head of asset management of TI, the senior vice president of legal, the head of special servicing and a senior vice president in special servicing.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.