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Servicer Evaluation: Mount Street Mortgage Servicing Ltd.

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Ranking Overview				
Servicing category	Overall ranking	Subrankings		
		Management and organization	Loan administration	Outlook
Commercial mortgage primary servicer	ABOVE AVERAGE	ABOVE AVERAGE	ABOVE AVERAGE	Stable
Commercial mortgage special servicer	ABOVE AVERAGE	ABOVE AVERAGE	ABOVE AVERAGE	Stable
Financial position				
SUFFICIENT				

Rationale

S&P Global Ratings' overall rankings on Mount Street Mortgage Servicing Ltd. (MSMS, formerly known as Mount Street Loan Solutions LLP) are ABOVE AVERAGE as a primary and special servicer of commercial mortgages in the U.K. On June 29, 2020, we affirmed the rankings (please see "Mount Street Mortgage Servicing Commercial Mortgage Servicer Rankings Affirmed," published on June 29, 2020). The outlooks on both rankings are stable.

Our rankings reflect MSMS':

- Experienced and stable leadership team, further strengthened by the strategic recruitment of new staff;
- Track record and consistent results with a growing portfolio;
- Solid internal controls, which remain segregated from operating activity;
- Continued focus on developing an information technology (IT) system that is both agile and efficient; and
- Continuous drive to address client needs, most recently illustrated by establishing two new teams within loan servicing, one focused on asset surveillance and another on commercial mortgage-backed securities (CMBS) servicing.

Since our previous review (see "Servicer Evaluation: Mount Street Loan Solutions LLP," published on March 8, 2018) the following changes and/or developments have occurred:

- MSMS hired an executive to focus on mergers and acquisition opportunities as part of its ongoing push for diversification and derisking.
- MSMS appointed a new chief technology officer (CTO) in July 2019 to head up the new technology division to further develop its IT solutions. The CTO has four direct reports with a mandate to hire five more. Previously, a head of client infrastructure and risk coordinated external providers looking after the company's IT applications.
- In January 2020, a head of asset surveillance was hired to lead a new dedicated asset surveillance team to offer additional services required by clients, including tasks both before and after a loan closes. This new team builds upon the previously reported dedicated, seconded teams offered to clients at their premises.
- As a result of the resurgence of the CMBS market, there is now a dedicated CMBS servicer team, which is

responsible for examining all data provided by the facility agent and reporting the data to the investor relations team, which in turn produces the quarterly reports.

- The company launched a new proprietary end-to-end servicing platform, CreditHub. The system replaced Clareti Loan Control (CLC) in May 2018, which was deemed to be not fast enough. CreditHub supports all aspects of loan servicing, including a step-by-step loan boarding workflow, waterfall calculations and payments, covenant compliance checks, and portfolio scenario analysis.

MSMS maintains a disaster recovery and business continuity plan, including response procedures to address operational disruption. The company recently implemented its plan due to COVID-19. Management reported that there were no disruptions to the company's operations or data facilities and that as of the date of this report all of its employees are working from home.

The outlook on both rankings are stable. MSMS has well-established servicing operations and a maturing IT platform, which continues to evolve. Since our last review, Mount Street Mortgage Servicing has demonstrated its ability to maintain the quality of its service standards over its growing servicing portfolio.

We believe MSMS, like most servicers, will face challenges in 2020 arising from increased workloads associated with relief requests resulting from the economic difficulties borrowers face due to the COVID-19 pandemic, particularly following a prior existing benign default environment. Nonetheless, given the robust experience levels across management and staff, we expect it will remain a highly effective servicer for the portfolios it services.

The financial position is SUFFICIENT.

In addition to conducting an on-site meeting with servicing management, our review includes current and historical data collection templates, as well as other supporting documentation provided by the company.

Profile

Servicer Profile	
Servicer name	Mount Street Mortgage Servicing Ltd.
Date formed and name at incorporation	December 2012, Mount Sreet Loan Solutions LLP.
Parent company	Mount Street Group Ltd.
Assets under management (overall, £)	32.94 billion
Assets under management (under assessment, £)	17.53 billion
Total staff	108
Servicing staff	45
Servicing centers	London (headquarters), Athens, Greece; Atlanta; Dublin; Frankfurt; Hamburg, Germany; and Sydney.
Client types	Investment banks, alternative lenders, insurance companies, banks, private equity companies, hedge funds, and special purpose vehicles.

MSMS is an indirect wholly owned subsidiary of Mount Street Group Ltd. (MS Group), which via its network of subsidiaries, manages several asset classes, including performing and nonperforming commercial loans, as both a primary and a special servicer. The group is headquartered in London and has servicing offices across Europe, the

U.S., and Australia.

MSMS was established in 2012 as a joint venture between three managing partners (one which has since departed) and U.S.-based Clayton Holdings LLC. MSMS subsequently acquired and absorbed Crown Credit Services GmbH and Morgan Stanley Mortgage Servicing Ltd. in 2013 and 2014, respectively. In February 2017, MSMS' executive team completed a management buyout, establishing MS Group as a legal entity, with two strategic partners (Aareal Bank AG and Helle McLain) who hold minority stakes.

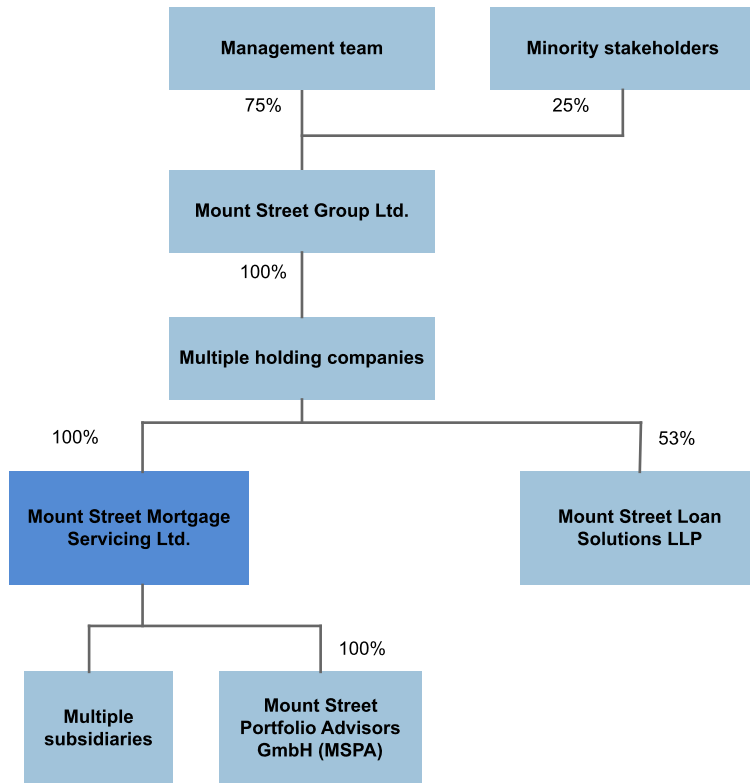
In October 2017, Erste Abwicklungsanstalt Portfolio Advisers GmbH (EPA) was acquired by MSMS and renamed Mount Street Portfolios Advisers GmbH (MSPA), which brought with it 75 employees. A regulated portfolio management and advisory business, MSPA manages a €22 billion diversified portfolio of leveraged loans, direct lending, and shipping and infrastructure instruments. While MSMS and MSPA share executive management and certain support functions at the group level, their operations remain segregated.

In March 2019, building on the shipping book acquired through the EPA acquisition and to further diversify their offerings to reduce a reliance on commercial mortgages, MSMS established a dedicated shipping team to provide loan administration, asset management, and workout expertise. It now manages €6 billion in shipping loans and is one of the largest independent servicers of shipping debt in EMEA.

Chart 1

Ownership Structure

Mount Street Mortgage Servicing Ltd.

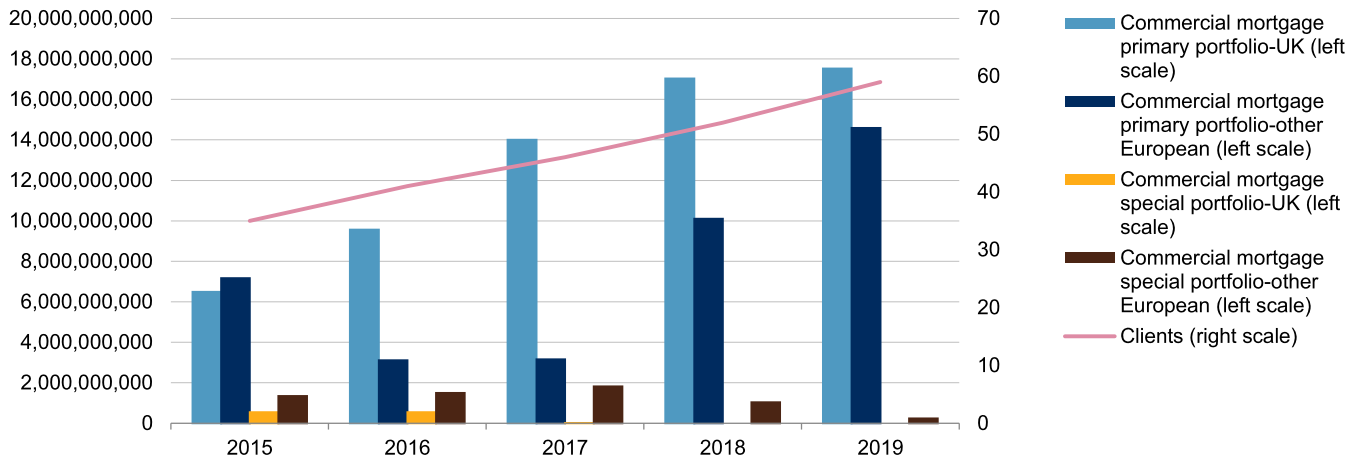


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We rank MSMS as primary and special servicer of commercial mortgages in the U.K. only. As of Dec. 31, 2019, MSMS managed a pan-European portfolio of 519 loans totaling almost £33 billion, composed of 440 balance-sheet/syndicated loans (£25.2 billion) and 79 CMBS loans (£7.8 billion). Of the pan-European portfolio, £17.5 billion corresponds to U.K. loans, which represents 53.2% (by value) of their total portfolio, which is a decrease from 60.4% in 2018 and is related to clients' concerns about Brexit in 2019.

Chart 2

Portfolio Evolution (GBV) Vs. Number Of Clients

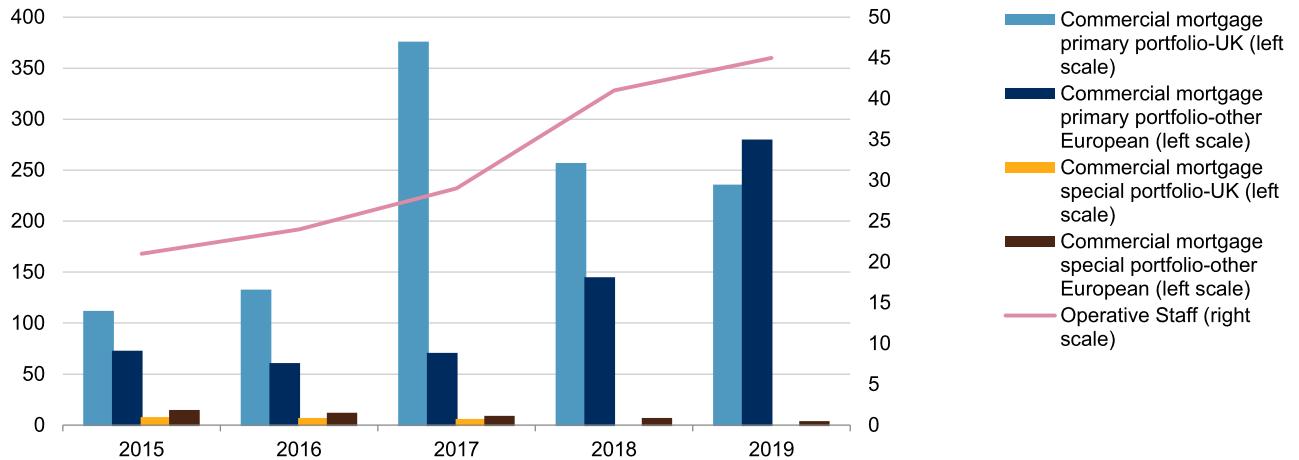


GBV--Gross book value.

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Chart 3

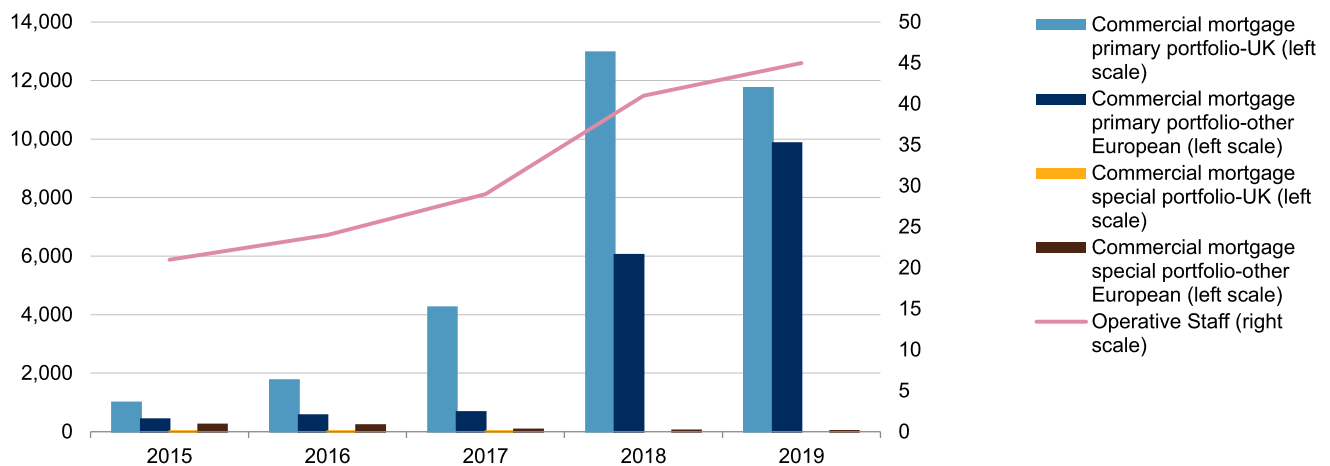
Overall Number of Loans Vs. Operative Staff



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Chart 4

Overall Number Of Properties Vs. Operative Staff



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In 2020, MSMS anticipates new loan boardings will be evenly split between the U.K. and Europe, as more of their clients are now only focused on loans in Europe post-Brexit. In light of the COVID-19 outbreak, MSMS anticipates new boardings will be halved. MSMS is still seeing some loans progressing but has a reduced pipeline at this stage.

Management And Organization

The management and organization subrankings are ABOVE AVERAGE on MSMS as a primary and special servicer of commercial mortgage loans in the U.K.

Organizational structure, staff, and turnover

The two managing partners continue to share the leadership of the MS Group with clear separation of duties, whereby one oversees strategy and the other oversees operations.

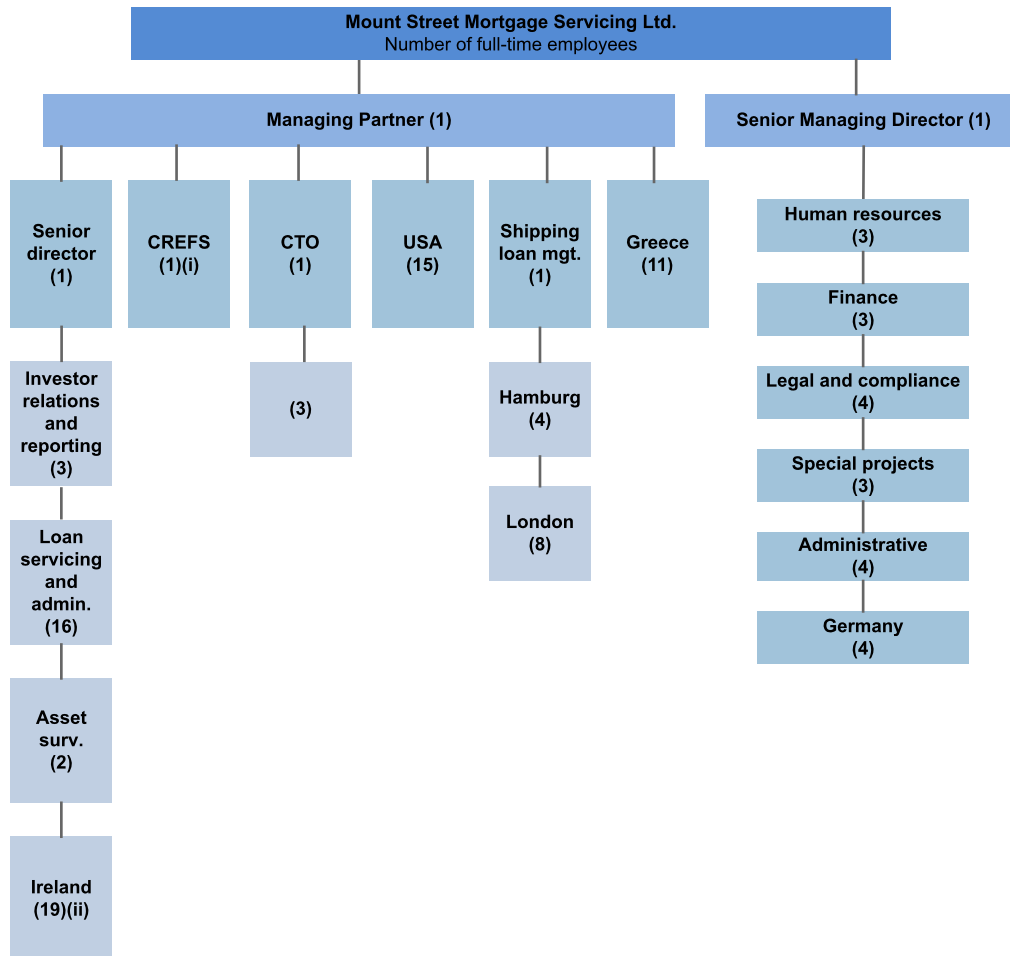
Since the MS Group was established following the management buyout and MSPA acquisition, the company continues to evolve to make use of synergies and to support the scalability of the business as it grows. MSMS and MSPA continue to share support functions at the group level. In particular, the group's chief operating officer (COO) oversees finance, administration, legal, and human resources (HR).

Since our last review, MSMS appointed a new CTO in July 2019 to lead the new technology division and further develop its IT solutions. The CTO has four direct reports, with a mandate to hire five more. Previously, a head of client infrastructure and risk-coordinated external providers oversaw the company's IT applications.

In January 2020, a head of asset surveillance was hired to lead a new dedicated asset surveillance team, which will offer additional services required by clients, including both pre- and post-loan closing tasks. This new team builds upon the previously reported dedicated teams that were offered to clients at their premises.

Chart 5

Operational Organization Chart



(i)CREFS includes two additional London staff in the special projects team when required: one in Frankfurt and nine in Athens.

(ii)One employee moved to the new Australia office in December 2019. CREFS--Commercial Real Estate Financial Solutions. CTO--Chief Technology Officer. Mgt.--Management. Surv.--Surveillance.

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In December 2019, MSMS employed 108 staff across Europe, the U.S., and Australia, of which 59 were based in the London office and primarily focused on the U.K. servicing activity. MSMS London moved into MSPA's London offices in January 2018 to accommodate the larger overall staff. Both groups were expected to move again in May 2020 (prior to the COVID-19 outbreak) to another location in London after signing a new 10-year lease, as the existing building is being renovated.

Since our last review, the total staff turnover rate increased to 22% in 2018 from 13% in 2017, and then decreased to 15% in 2019. Management has indicated the somewhat elevated turnover in 2018 was primarily due to the departure of four U.K. employees in the nonperforming loan (NPL)/special servicing team at a time when the vast majority of the book was performing. In addition, an additional five leavers were in support roles.

The staff turnover metrics for 2019 fall in the middle of similarly ranked peers. MSMS notes that of the 11 who left,

four went on to private equity firms and/or banks that MSMS still works with, which management believes demonstrates that they are developing a high-level staff.

Table 1

Staff Turnover Rate			
Total staff	2017	2018	2019
Staff at beginning of period	39	60	79
Number of joiners	26	32	41
Number of staff leaving voluntarily	5	8	11
Number of staff leaving not voluntarily	0	1	0
Number of expired contracts	0	0	0
Number of staff redundant	0	4	1
Staff at end of period	60	79	108
Turnover rate (%)	13	22	15

Although the turnover rate has declined somewhat since our last review, experience metrics remain robust across management and staff. Additionally, the average tenure rates have risen somewhat but remain relatively low in light of significant headcount growth since our last review (see table 3).

Table 2

Years Of Industry Experience/Company Tenure										
	Experience					Tenure				
	Senior management	Middle management	Primary servicing	Special servicing	Property/legal advisory	Senior management	Middle management	Primary servicing	Special servicing	Property/legal advisory
2019	22.4	17.5	14.2	13.4	8.9	3.5	2.3	2.4	2.5	2.5
2018	22.5	16.1	12.2	13.1	11.3	2.9	2.2	2.3	1.8	3.1
2017	24.4	20.3	14.6	17.5	10.3	3.1	1.5	1.9	2.9	2.1

The HR manager, who is supported by two people, oversees the people management function for both MSMS and MSPA. MSMS maintains its collaboration with recruitment companies; however, approximately 50% of new recruits are sourced through their own networks. There is legal counsel on retainer, and payroll continues to be outsourced.

Training

In our opinion, MSMS' the HR offerings provided by MSMS are appropriate for the company's size, level of expertise, and entrepreneurial culture. MSMS continues to target 35 annual training hours and modestly exceeded that target during 2019 after falling somewhat short each of the two prior years (see table 4). Standard course trainings do not satisfy the company's needs due to the broad experience of its staff. As a result, most of the MSMS' continuing education largely involves attendance at seminars and conferences. Mandatory training requirements are not centralized and each team is responsible for designing and delivering offerings as well as monitoring staff attendance. There is an HR system to monitor performance, training and absence.

Table 3

Training Hours For New Joiners And Existing Staff						
	2017		2018		2019	
	Average annual training hours	Induction	Average annual training hours	Induction	Average annual training hours	Induction
Commercial mortgages						
Internal	3.4	0.5	4.0	0.8	9.0	7.0
External	21.6	0.0	22.5	0.0	16.0	0.0
On the job	4.0	0.3	3.5	0.8	10.0	6.0
Online	2.7	0.0	2.3	0.0	1.0	2.0
Total	31.6	0.8	32.3	1.5	36.0	15.0

There is no dedicated internal trainer; however, given the current level of experience and size of the company, we have observed this to be customary across servicers we rank. Finally, MSMS encourages staff to pursue further education on any related professional or degree qualification by providing both financial support and time off.

Since our last review, MSMS provides for 15 hours of induction training, which seems like a large increase from prior years. However, this is due to a combination of factors. There has been additional training courses required by compliance in areas such as whistleblowing, anti-money laundering, anti-bribery, and corruption, which all new starters have to complete. All employees also have to complete the training on an annual basis. In prior years, these courses have not been recorded specifically as induction hours for new starters and, therefore, the induction hours in prior years look much lower.

MSMS also recognized that as the team grew, additional more-formal training sessions needed to be implemented to ensure all new starters understood the servicer's methods and expectations, and had a minimum level of specialist product knowledge (such as in CMBS). Training hours also increased as a result of the new servicing system, CreditHub, coming on line and being rolled out across the team.

Since our last review, MSMS also launched a training program to develop soft skills among the less-experienced staff. Coaching is provided to them and they are encouraged to build business relationships. As an additional incentive, they are provided with a subsidy to entertain potential clients.

MSMS has an annual appraisal mechanism and its bonus scheme is based on individual, team, and company performance. MSMS also provides discretionary benefits such as childcare vouchers and health cash plans, which are clearly described in the staff handbook.

The company has created a structure that enables career development and retention despite its relatively flat servicing structure. Within the servicing teams, analyst sub-teams have been created to focus on data-entry-type tasks, thus freeing the asset management team to handle more complex tasks such as consents, amendments, and covenant testing.

Additionally, the company encourages movement to other areas of the company. For example, one staff member transitioned from servicing to the IT development, and another was internally promoted through the ranks and now heads up the new Sydney office.

MSMS has a formal succession plan in place for all of its senior leadership team.

Systems and technology

MSMS has an agile IT framework in place and benefits from the lack of dependence on legacy technology, which typically encumbers older companies.

MSMS' new technology division is led by a new CTO who came on board in July 2019 to further develop its IT solutions. The CTO reports directly to the global head of servicing and has four direct reports with a mandate to hire five more. Previously, a head of client infrastructure and risk-coordinated external providers oversaw the company's IT applications because it did not have in-house IT staff.

Servicing system applications

Since our last review, the company launched a new proprietary end-to-end servicing platform, CreditHub. The system replaced CLC in May 2018, which was deemed to be not fast enough.

The new system supports all aspects of loan servicing, including a step-by-step loan boarding workflow, waterfall calculations and payments, covenant compliance checks, and portfolio scenario analysis. CreditHub, which has multi-lingual, multi-currency, and multi-asset capabilities, also includes integrated credit risk mitigation and integrated diary management systems along with bespoke workflow tools for each asset class.

CreditHub is hosted either on-premise at an external data centre or in Microsoft Azure Cloud depending on client preference.

CreditHub has now been in use for about two years. The front-end userface, which clients can access through the web, appears user-friendly. The system has a bespoke reporting tool and is customisable for individual clients or portfolios. The back-end userface (underlying system) continues to be refined.

In our opinion, the new system appears to be efficient, flexible, and scalable. However, the platform has only been recently implemented and has not yet gone through ISO certification.

MSMS continues to use a separate, bespoke reporting system that was inherited from MSPA.

MSMS uses a Microsoft office platform network for its daily working environment. It outsources the IT support for all Microsoft-related software but owns the hardware. It does not have any servers, as all the technology is cloud-based.

All staff can work remotely via the internet to access files, emails, and the servicing platform.

Edge Technology Group (Edge) provides MSMS with a privately hosted IT infrastructure across geographically dispersed datacenters. The production facility is in London and provides core IT infrastructure services, back-up, archiving, and support. As Edge is a global provider, all infrastructure and service solutions are in-line with ISO 27001 standards. Services are fully replicated in real-time to a second offsite facility in Bournemouth, which allows MSMS to restore any file within minutes.

Business continuity and disaster recovery

Disaster recovery (DR) and business continuity (BC) plans have been updated since our last review. The company has established clear responsibilities and priorities so that all employees can be notified of an event promptly. The company operates a BC plan texting site via the staff intranet platform, informing all employees of their responsibilities. Previously, the company used a call-out tree system.

MSMS undertook a BC plan test in February 2020, a month prior to the COVID-19 outbreak. The test consisted of a text message being sent to all employees, which then required employees to log into their computers to complete the test. The result of the test was an 80% pass rate. According to the servicer, following this test, the company's virtual private network (VPN) bandwidth was increased. As a result, there were no reported issues with VPN bandwidth when all employees were instructed to work remotely following the COVID-19 outbreak.

The company recently implemented its DR and BC plans due to COVID-19. Management reported that there were no disruptions to the company's operations or data facilities, and that as of the date of this report all of its employees are working from home.

We believe MSMS continues to demonstrate the effectiveness of its DR and BC plans.

Cybersecurity

MSMS has the following controls in place:

- Symantec End Point Protection is employed as antivirus software.
- Cisco firewalls and Juniper protection are in place to avoid external intrusion. eSentire offers active threat detection.
- Authorized operators have access to systems and are restricted in that access by job requirement for protection against internal intrusion.
- CreditHub monitors logs and user access at regular intervals. Any intrusion detected is reported to a senior manager. Response is determined once the nature of the intrusion is determined.
- Its system is fully hosted 24/7, and the company is advised on failures.

Penetration testing is performed annually and is rotated, with the last test completed in September 2019, with no serious issues.

There are no specific phishing training courses. However, MSMS circulates reminders on a regular basis, asking all staff to be aware of any suspicious requests and not to open attachments that look suspicious or are attached to suspicious or unsolicited emails. Any suspicious emails are reported to Edge, which will perform any required testing in an isolated environment.

The servicer does not have a stand-alone cyber insurance policy but is covered within the overall professional indemnity policy.

Internal controls

Internal controls remain segregated from operating activity. In our opinion, the structure is suitable, given the size of the company.

Policies and procedures

Policies and procedures are split by topic and cover the main compliance areas such as anti-money laundering, conflict of interest and inducement, and all aspects of servicing and payment processes. MSMS also has a comprehensive staff handbook, which includes policies on maternity leave, holidays, sickness, whistleblowing, and social media. Recent updates include policies on harassment, IT, and pension and benefits. The company has a code of ethics.

All policies are reviewed at least annually by the relevant business head and approved by either the European or global head of servicing. A record of approvals is maintained along with version controls and tracked changes. The company stores its procedures manual on its shared drive, and archives previous versions for audit purposes. Any changes are duly communicated to staff and are made available on the company intranet. New staff are provided with a copy and are required to sign an acknowledgement that they have read it.

Since our last review, numerous measures have been implemented following the implementation of the General Data Protection Regulation (GDPR) in May 2018. This includes a review of all documentation and contracts and, where necessary, these were updated to reflect GDPR data processing and data controller requirements, breach notification processes, and data subject access requests. Incident management was expanded to include data breach requirements. The staff handbook was updated to reflect the data protection policy and a statement of understanding was required of employees to confirm that it had been read and understood. Where appropriate, systems have also been updated to limit the amount of personal data collected.

Compliance and quality control

Compliance consists of five staff including the head who reports to the group head of legal. Compliance is responsible for reviewing policies and procedures, and implementing effective plans for applying procedural changes in line with new regulation across all regions. Compliance staff also undertake internal audits. The group outsources external experts who perform certain functions and also provide training. There is no separate quality control team as each business head is responsible. Within teams, a four-eyes check system is in place.

Risk management

The head of risk is based in Dublin and reports to the group head of legal. The risk management process relies on the compilation of a risk matrix at the MSMS company level. The matrix records the likelihood of all major risks, and potential impact, which includes the assessment and effectiveness of the respective controls. The management team sets the company's risk appetite framework and periodically reviews the matrix to identify any element falling beyond risk levels deemed acceptable. As a result, the risk owner has to implement countermeasures to reduce it to a tolerable level. The board reviews the risk matrix annually. The latest risk review for April 2019 listed 54 potential risks. We deem the risk report to be comprehensive and detailed given the size and nature of MSMS' business.

Internal and external audit

The head of finance and the group COO oversee internal audit. The internal audits are undertaken by MSMS' compliance officer. Audits focus on a review of department loan files, compliance with procedure manuals, and best practice. An internal audit is conducted every six months with results being reviewed by the board of directors.

Within the audit, findings are categorized as either green, amber, or red, with green being of no detriment to the company, amber being of potential detriment and red being of detriment. The last audit occurred in third-quarter 2019 on loan administration, which resulted in one red finding and 10 amber findings. The one red finding was related to pin numbers for bank tokens that were emailed to a personal email address when the employee was on holiday, which was deemed to be a significant risk and has since been corrected. The other 10 amber findings related to issues such as important spreadsheets that were not password protected or where the password was never changed. The overall result was amber, which was a pass with learnings.

At our last review, Protiviti, an external auditor, was used to harmonize practices across the group. They continue to be used for MSPA only. For MSMS, external audits are performed by clients as part of client-driven requirements.

Complaint management

There have been no complaints to date but there is a documentation procedure for complaints and a log is required to record any complaints received.

Vendor management

Third-party advisors such as valuers, solicitors, real estate advisors (e.g. receivers), and specialist loan restructuring advisors may be retained by the special servicing team.

All appointments are based on the following criteria: best fit, competitive fee proposals, ability to complete/respond in a timely manner, terms of applicable servicing standards, and conflict-of-interest clearance.

Appointments only proceed following approval from the head of special servicing, the head of asset management, or one of the managing partners.

Insurance and legal proceedings

MSMS has represented that its directors and officers, as well as its errors and omissions insurance coverage, is in line with the requirements of its portfolio size. As of the date of this report, there were no material servicing-related pending litigation items.

Loan Administration - Primary And Special Servicing

The loan administration subrankings are ABOVE AVERAGE for each of primary and special servicing in the U.K.

New-loan boarding

During 2019, MSMS successfully boarded 177 loans (£11.2 billion, of which 58 loans (32.7%) or £5.44 billion (48.7%) relate to U.K. assets. On average, it took 10 days to get the information live into the system.

At our last review, MSMS internalized the loan administration function, which was previously done by external

contractors who created a dedicated loan administration team that was responsible for the boarding process, among other tasks. The 17 member team is based in Dublin, but all primary servicing staff are trained on loan boarding as well.

All onboarding is completed through CreditHub either via user screens or in bulk via loan tapes. The team manually inputs the data into the system and monitors the process through the deal handover log. The log is a spreadsheet that tracks the steps of the onboarding process through a checklist of the data required to be uploaded in the system, such as loan information and borrower data. Internal asset managers review the log on a weekly basis during the loan onboarding process, and a portfolio manager's signoff is required to pass it into the system.

MSMS sends a welcome letter within 10 days of loan boarding, providing the borrower or sponsor with a primary and back-up contact.

As part of the loan boarding process, MSMS ensures that all loan and collateral documentation is complete and available online. The appointed legal representatives retain documents and Iron Mountain, MSMS' archive provider, stores them securely. Within 15 days of boarding, asset managers check 100% of documentation.

We have a favourable view of the internalization of the loan boarding process, which we believe is consistent with the maturation of the servicing platform.

Payment processing

The loan administration team is also in charge of payment processing. Interest payment amounts are calculated automatically in CreditHub; once an amount is calculated, MSMS applies a strict six-eye check, so whomever creates a payment request should differ from the first- and second-level authorizations. Once approved, the payment goes into a payment queue in the system, which is reviewed daily and posted to the relevant account.

Payment instructions vary; 75% (up from 60% at least review) of payments are posted to accounts electronically via online bank portals, and the balance are instructed manually, as they require physical signatures from the associated bank.

Cash reconciliation is performed weekly, signed-off by the head of loan administration. Bank accounts are reconciled monthly or quarterly according to the underlying credit agreement.

In our opinion, the payment process is generally well-controlled. However, the servicer has noted for the past year that there were three errors and 19 payments made outside of the contracted timeframe. The servicer reports that measures have been put in place where the error was within their control. However, the majority of the late payments were due to circumstances outside of their control involving third-party banks. In these circumstances, the policy is now to instruct ahead of time (when possible) to try to mitigate any delay that other parties may introduce into the process.

Client management and investor reporting

As of December 2019, three staff comprised the investor relations team, including a dedicated head who is responsible for investor reporting.

MSMS is committed to providing clients with accurate and transparent reports. To this end, MSMS aims to provide a high level of detail in the form of market and loan-level commentaries, including covenant monitoring. After agreeing on an initial reporting format, MSMS works closely with clients and responds to additional data requests to be included going forward.

Reports are automatically produced by the servicer's proprietary system, which uses data extracts from the servicing platform. Reports for CMBS and non-CMBS transactions are made available on the user-friendly website, which investors and clients can access. In our opinion, MSMS reports are clear and continue to be of a high standard.

Primary servicing

The loan administration team, the primary servicing team, and the four-member legal team support MSMS' primary servicing operations. The first is in charge of boarding, payments and administrative tasks; the second is in charge of loan management; and the last provides legal advice.

The primary servicing team has expanded to 32 employees as of December 2019, compared with 25 in December 2018. Of the 32, 25 are based in the U.K. and Europe, and seven are based in Atlanta. The U.K./European book is primarily overseen by the London (19), Dublin (3), and Frankfurt (3) asset managers, and the U.S. book is handled by the asset managers in Atlanta.

Since our last review, MSMS has created two new teams within primary servicing. As a result of the resurgence of the CMBS market, there is now a dedicated CMBS servicer team that is responsible for examining all data passed over by the facility agent and reporting to the investor relations team, which in turn produce the quarterly reports. The servicer was the named servicer on 43% of the total EMEA CMBS transactions (by number) in 2018 and 2019.

In addition, there is now a dedicated asset surveillance team, which was established to offer additional pre- and post-closing services such as asset and loan underwriting, drafting of internal credit papers, and preparation of loan and security abstracts.

We believe both teams demonstrate MSMS' continued maturation of its platform to address client needs.

On average, each asset manager is responsible for 16 loans as of year-end 2019, up from 14 at our prior review in 2017, but in line with the greater operational efficiencies gained through the latest changes.

MSMS utilizes a primary servicing committee, whereby asset managers can discuss specific events such as payment default and substitution or property disposal requests, with appropriate quorum requirements in place. Committees are held every two weeks, but can be conducted ad-hoc if required. All decisions require a minimum quorum of three and a majority vote to carry a decision. Any asset manager can join the committee as an observer to gain insights on issues concerning a loan in their portfolio. The primary servicing committee also reviews the watch list on a quarterly basis. MSMS adheres to the commercial real estate finance council's Europe Watch list guidelines.

Each loan is also reviewed annually and presented at an annual review meeting to provide an update on loan performance. If there are any issues identified, then they are escalated to the primary servicing committee.

Special servicing

Thirteen staff comprise the Commercial Real Estate Financial Solutions (CREFS) team, which includes three staff based in London, one in Frankfurt, and nine in Athens. The team is in charge of the special servicing activity across the platform, including syndicated and securitized loans, and for the Athens staff, NPLs. The members of MSMS' special servicing team have extensive experience dealing with distressed commercial real estate loans, restructuring of CMBS, loan sales, loan enforcement and administration, and real estate-owned operating management and liquidation.

As of year-end 2019, the average number of specially serviced loans per special servicing employee was less than one. However, this was a result of successful workout outcomes and due to the general reduction in U.K. special servicing opportunities. Additionally, the CREFS team's responsibilities also include due diligence and debt solution services along with providing services to banks' internal credit departments, which increasingly seek assistance in foreseeing problems with their commercial real estate loans.

There are ad-hoc special servicing committees, which require a minimum quorum of three and a majority vote to carry a decision (i.e., similar to primary servicing). Any decision relating to litigation, standstill, enforcement, or restructuring proceedings are approved by the special servicing committee with a majority vote before implementation.

Outside the scope of this review, MSMS resolved three European loans during 2019 across its CMBS special servicing portfolio. The loans resolved in 2019 include the sale of French, Dutch, and Belgian assets, of which some issues remain with courts before final amounts are distributed. MSMS is the named special servicer on 73 loans, which, in the short to medium term, may result in additional growth to the special servicing portfolio given the economic distress resulting from COVID-19.

In our view, MSMS continues to demonstrate its ability to successfully workout commercial real estate loans, albeit at a modest level. The track record in the U.K. has been limited however due to a lack of opportunities. However, the servicer's retention strategy to maintain special servicing expertise in-house, despite limited opportunities in recent years, positions the company to potentially expand its portfolio given the current weakened market conditions in the U.K.

Financial Position

The financial position is SUFFICIENT.

Related Research

- Select Servicer List, July 2, 2020
- Mount Street Mortgage Servicing Commercial Mortgage Servicer Rankings Affirmed, June 29, 2020
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019
- Servicer Evaluation: Mount Street Loan Solutions LLP, March 8, 2018

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