FitchRatings

Structured Finance
Commercial Mortgage Servicer
North America

Torchlight Loan Services, LLC

Ratings

Commercial Special Servicer[a]	CSS2

[a]Last Rating Action: Upgraded from 'CSS2–' on March 8, 2022.

Related Research

Fitch Upgrades Torchlight's Commercial Special Servicer Rating (March 2022)

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 City-based investment advisor whose core business is the management of commercial real estate (CRE)-related debt investments for institutional investors. TI had $5.7 billion in funds under management that focus on CRE debt strategies on behalf of more than 80 investor clients as of December 2021.

TI has a long history of fund raising to support CRE mortgage, mezzanine, equity and securitization investments. TI continues to manage Debt Fund VI, which had in excess of $1.6 billion in capital, as well Debt Fund VII, which had it first close in October 2021 and has in excess of $2.0 billion in committed capital. TI also acquired controlling class positions in three new issue and one legacy Freddie Mac K-series and five single-asset single-borrower (SASB) transactions. TLS was named special servicer for the SASB transactions and third-party special servicers were engaged for the Freddie Mac transactions. TLS will continue to be named special servicer as TI deploys Debt Fund VII capital, which is expected to include controlling class purchases for three to four securitization transactions annually.

In addition to special servicing on behalf of TI, TLS also performs third-party special servicing on behalf of eight clients for three SASB and nine legacy multiborrower CMBS transactions. As of YE21, TLS's total special servicing portfolio included 398 loans within 24 securitizations totaling $9.1 billion. The company was actively working out 10 loans totaling $408.3 million and managing six real estate-owned (REO) assets representing $237.6 million in unpaid balance. TLS resolved 26 loans and three REO assets representing $383.9 billion in 2021. By count, 20 loans were returned to the master servicer as corrected; five loans were resolved through either note sales, discounted payoffs or foreclosure sales; one loan paid in full; and three REO assets were liquidated.

Servicer Ratings

- Fitch Ratings 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 REO 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 (–) along with the flat rating.

Analysts

Adam Fox
+1 212 908-0869
adam.fox@fitchratings.com

James Bauer
+1 212 908-0343
james.bauer@fitchratings.com

Key Rating Drivers

Company and Management: Special servicing functions performed by TLS are critical to supporting the investment portfolio of TI. The company 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 in CRE mortgage, mezzanine equity and securitization investments. Recent investments have focused on SASB and Freddie Mac K-series transactions, which have limited growth in TLS's servicing portfolio as Freddie Mac transactions are assigned to a third-party 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: Special servicing is supported by 18 employees, four of which are fully dedicated to TLS, while the remaining employees are shared resources with TI. Aggregate employee turnover remained low in 2021 at 5%, similar to the prior year, as a result of one voluntary separation at the middle management level. The separation was backfilled internally by a middle management employee with 12 years of industry experience. The group's eight senior managers average 22 years of industry experience and 10 years of tenure, while the sole middle manager averages 12 years and nine years, respectively. Employees completed an average of 40 hours of training during the year.

Fitch classified two senior managers and one staff level employee as asset managers. Collectively, asset managers average 14 years of industry experience and seven years of tenure. TLS maintains an assets-to-asset manager ratio of 5:1, lower than other Fitch-rated conduit special servicers and indicating excess capacity should loan defaults rise.

Financial Condition: Fitch 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-modeling capabilities, in addition to 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 diversifying the company's email services to a new provider to limit the company's reliance on a single vendor.

Procedures and Controls: 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. The most recent internal audit occurred in 2020 and resulted in three low risk findings that were sufficiently addressed by management. The next audit is scheduled to occur in 2022.

Defaulted/Nonperforming Loan Management: The head of special servicing and 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 securitized transactions in which it is the named special servicer. In 2021, TLS resolved 26 loans and three REO assets, representing $439.0 billion in 2021. By count, 20 loans were returned to the master servicer as corrected; five loans were resolved through either note sales, discounted payoffs or foreclosure sales; one loan paid in full; and three REO assets were liquidated.

Governance and Conflicts of Interest: Special servicing decisions are made by a committee comprising six members, two of which 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 Rating 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.

Torchlight seconded three employees to special servicing in 2020 to address borrower requests for relief. The employees spent less than a year in special servicing and therefore are not considered a part of turnover.

Company Overview

TLS is sponsored by its parent, TI, which was founded in 1995 and is a New York City-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.

Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
Special Servicing — Named					
UPB ($ Mil.)	9,110.5	21	7,550.6	(37)	11,945.0
No. of Loans	398	(5)	417	(40)	693
Special Servicing — Active[a]					
UPB ($ Mil.)	646.0	(32)	955.0	140	397.5
No. of Loans	16	(63)	43	231	13

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

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 $5.5 billion under management in benchmarked, opportunistic and long-term and short-term CRE debt strategies as of December 2021.

TI has raised and managed seven closed-end debt funds (DFs) since 1996 and is currently in the process of raising the seventh fund. The funds have ranged in size from $280 million to more than $2.0 billion, with the first three funds fully realized. TI's DF IV and DF V are currently being harvested. DF VI launched in 2017, received capital commitments of approximately $1.7 billion when it closed in February 2019 and ended its investment period in February 2022. DF VI is a 10-year fund (with two one-year extensions) structured to accommodate securitized investments with horizontal risk retention rules.

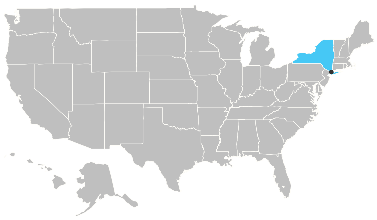
TI launched DF VII, with an investment profile similar to DF VI, in 2020. DF VII, which has the ability to invest through September 2024, has raised in excess of $2.0 billion as of December 2021 and is TI's largest investment fund to date. While TI is not currently raising a new fund, it has a demonstrated history of successful fund raising and will continue to use investment funds as a source of capital. TI fund investments in securitized transactions will continue to increase TLS's named special servicing portfolio, while investments in Freddie Mac Capital Markets Execution (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 that, overall, the company has demonstrated a fairly stable income stream, good liquidity position and flexible financial profile.

TI has experienced growth in its financial profile, notably in revenue (growth percentage) and its EBITDA trend, from the prior review period (2020–2021). Special servicing revenues decreased slightly in 2021 as a result of coronavirus pandemic-related pressures on distressed

Office Locations

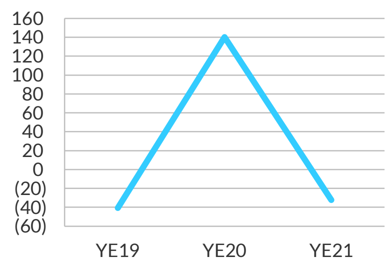


Primary Office: New York City.

TLS's servicing portfolio of 24 transactions includes six SASB, 16 multiborrower CMBS and two parri passu loan assignments. The company's multiborrower transactions were issued between 2002 and 2018, while the SASB transactions were issued between 2015 and 2019.

Special Servicing Portfolio

(% Change from Prior Period)



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

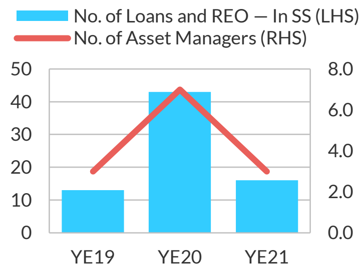
TI acquired five Freddie Mac K-series transactions in 2021 through DF VI and DF VII investments for which the company named a third-party special servicer. TI's recent investment focus on Freddie Mac transactions will limit growth in named special servicing for TLS.

loans, and 2022 levels are expected to decline by 30% relative to 2021. 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 DF VII in the fall of 2021, with $2.04 billion in capital committed as of Dec. 31, 2021.

Employees

As of December 2021, the special servicing team consisted of 18 professionals, down from 20 employees the prior year. Four employees, including the head of special servicing, a senior level asset manager and two staff level employees, are fully dedicated to special servicing. The remaining 14 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 corporate finance, originations, fund asset management, portfolio management, COO and CEO, as well as senior officers of TI who serve on the TLS credit committee. The chief compliance officer (CCO) of TI, who spends approximately 20% of their time supporting TLS, is retained as a consultant and therefore not reflected in Fitch's employee statistics.

SS Loan and Employee Counts



SS – Special Servicing.
Source: Torchlight Loan Services.

Employee Statistics

	2021				2020			
	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	10	0
Middle Management	1	12	9	50	2	15	9	0
Servicing Staff	9	8	3	0	10	9	4	12
Total	**18**	**—**	**—**	**5**	**20**	**—**	**—**	**6**

Note: 2020 employee data includes three seconded employees.
Source: Torchlight Loan Services, LLC.

Aggregate employee turnover remained low in 2021 at 5%, similar to 6% the prior year, as a result of one voluntary employee separation at the middle management level. The separation was backfilled by a fulltime, dedicated staff level employee with three years of industry experience. The isolated middle management 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 industry experience and 10 years with the company, while the sole middle manager has 12 years and nine years, respectively. Special servicing staff, of which two are fully dedicated and seven comprise shared resources, average eight years of industry experience and three years with the company.

Fitch notes that only four TLS employees (22%) are fully dedicated to special servicing. The remaining employees are TI employees who spend between 10% and 50% of their time supporting special servicing.

Fitch classified two senior managers and one staff level employee as asset managers. The two senior managers are fully dedicated to special servicing, while the staff level employee is primarily responsible to TI asset management with approximately 10% of this employee's time allocated to special servicing. Collectively, three asset managers average 14 years of industry experience and seven years of tenure. As of December 2021, the ratio of specially serviced assets to asset managers was 5:1, lower than other Fitch-rated conduit special servicers. Asset managers are supported by two dedicated staff level employees who average seven years of industry 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 (SVP) 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 that employees completed 40 hours of training on average in 2021. Employee training is tracked by the operations department using spreadsheets. Recent training topics include New York mortgage foreclosures and alternatives, the Hero Act, hospitality remedies, asset tracing and recovery, eviction and foreclosure moratoriums, the hotel outlook, recourse and intercreditor considerations, among others. Additionally, all employees completed two hours of compliance training and one hour of anti-harassment and diversity, equity and inclusion (DEI) training in 2021.

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 provide personnel to TLS as needed. As of December 2021, there were no consultants supporting special servicing, although TI has additional consultants to supplement staff.

The company, through its parent company, has a longstanding relationship with an IT vendor for IT administration and support.

Vendor Management

TLS maintains a formal vendor engagement procedure and ongoing compliance monitoring. New vendors require approval from the TI controller subsequent to appropriate documentation and a risk assessment of the vendor that evaluates the vendor's access and use of confidential information. TI also independently verifies the information submitted by the vendors, as well as their business standing and ability to perform 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.

TLS maintains ongoing relationships with an insurance consultant for corporate and collateral insurance matters, as well as a real estate tax appeal vendor. In conjunction with special servicing and asset management duties, TLS may engage legal counsel, appraisers, property vendors, brokers and environmental consultants.

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. The application is also used by other Fitch-rated special servicers for special servicing asset management and surveillance.

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.

The Backshop application is populated with CREFC IRP (CRE Finance Council — Investor Reporting Package) data fields from various trustees for all transactions in which TLS is the named special servicer. Data is updated monthly. Backshop's reporting functions provide TLS with internal controls around workout milestones, including recording formal approvals, as well as CREFC IRP (version 8.0) and ad hoc reporting. Backshop also contains purchase and sale agreement (PSA) requirements, deadlines and documentation for TLS transactions to support some systematic internal controls for monitoring deliverables, e.g. inspections and appraisals.

In addition to Backshop, TLS employees use SharePoint for document management, the complete suite of Microsoft Office products, Argus for advanced modeling, SAP Concur for expense 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 in 2021 were limited to segregating the company's email services to the Microsoft Exchange Cloud environment, to eliminate reliance on a single technology vendor. TLS has not made material enhancements to Backshop in several years aside from creating customized reports. Fitch noted that while Backshop is sufficient to meet the servicing needs of TLS, the application has not had significant upgrades or new functionality, in contrast to other servicers rated highly by Fitch.

TLS transitioned all employees to remote working in March 2020 as a result of the onset of the pandemic. The company did not experience any business interuption, and employees are expected to begin returning to the office in 2Q22.

Network and desktop support is provided by a third-party contractor who provides 24-hour desktop support, as well as a part-time onsite 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.

TLS, through its IT vendor, maintains cybersecurity policies and procedures and has engaged a separate vendor to perform weekly external vulnerability testing and annual internal vulnerability testing. The company reported no cybersecurity incidents since Fitch's last review and has increased employee training and testing.

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 recovery site in California. Disaster recovery testing is performed about once every six months; the most recent test occurred in November 2021 with successful results and no material exceptions. Backstop's most recent disaster recovery test was in June 2021 and likewise had successful results.

Support provided by Eze Castle Integration (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; as a result, the maximum possible data loss time in the event of a disaster is 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 hotsite locations if its primary office is inaccessible; instead, 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 at its Atlanta office in the event the New York City office is inaccessible.

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 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 auditing firm to perform operational audits every two years.

Policies and Procedures

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 CCO review and approve prior to implementation. Recent changes reflect the greater role that 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.

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

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 2022 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. Recent policies and procedures updates were limited to clarification language for REO bank accounts and annual compliance. Separate from special servicing policies, TI updated its expense and payment protocols in 2021. The new procedure is structured around three control criteria for expenses and segregated approvals between business lines and financial controls based on dollar amounts.

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.

Compliance and Controls

TLS addresses quality control and compliance through its policies and procedures, automated ticklers within Backshop for key milestones, monthly compliance reporting 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.

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.

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 CCO, who is a third-party consultant, and one additional staff resource. While focused primarily on SOX controls, the compliance group monitors conflicts of interest and disclosures of nonpublic 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 Baker Tilly to perform the audits based on the firm's experience and familiarity with the platform as TI's financial statement auditor.

Fitch reviewed the 2020 Baker Tilly internal audit, which examined cash collection and administration, accounts payable and advances, special servicing administration, Backshop system workflow and investor and master servicer reporting processes. The audit tested more than 50 controls and noted minor findings in three special servicing administration controls that were deemed low risk and sufficiently addressed by management.

TLS engages a third-party auditing firm to perform internal operational audits every two years. The most recent internal audit occurred in 2020 and resulted in three low risk findings that were sufficiently addressed by management. Fitch noted that the findings were minor and not systemic.

External Audit

Cohn Reznick LLP performed the 2021 Regulation AB audit of TLS, consistent with the prior year. The company received an audit letter dated Feb. 25, 2022, which found the company to be in compliance with the minimum servicing standards as of Dec. 31, 2021, evidenced by management's attestation. TLS was not required to undergo a Uniform Single Attestation Program (USAP) audit.

Special Servicing

Special Servicing Portfolio

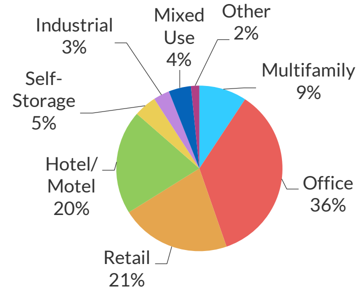
As of Dec. 31, 2021, TLS was the named special servicer for 24 securitized multiborrower and SASB transactions, representing 398 loans totaling $9.1 billion. Of the securitized special servicing portfolio, the company was actively working out 10 securitized loans representing $408.3 million in outstanding balance and managing six REO assets representing $237.7 million in unpaid principal balance.

Special Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
Securitized					
No. of Transactions — Special Servicer	24	14	21	(19)	26
UPB — Special Servicer ($ Mil.)	9,110.5	21	7,516.3	(37)	11,880.4
No. of Loans — Named Special Servicer	398	(4)	416	(40)	690
UPB — Actively Special Servicer (Non-REO) ($ Mil.)	408.3	(47)	774.0	189	268.2
No. of Loans — Actively Special Servicer (Non-REO)	10	(74)	38	322	9
UPB — REO Assets ($ Mil.)	237.7	62	146.7	54	95.1
No. of REO Assets	6	50	4	33	3
Nonsecuritized					
UPB — Named Special Servicer ($ Mil.)	—	—	34.3	(47)	64.5
No. of Loans — Named Special Servicer	0	—	1	(67)	3
UPB — Actively Special Servicing (Non-REO) ($ Mil.)	—	—	0.0	—	0.0
No. of Loans — Actively Special Servicing (Non-REO)	—	—	0	—	0
UPB — REO Assets ($ Mil.)	—	—	34.3	—	34.3
No. of REO Assets	—	—	1	—	1

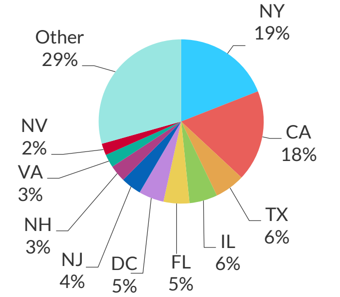
UPB – Unpaid principal balance.
Source: Torchlight Loan Services, LLC.

CMBS Named Special Servicing by Property
(As of Dec. 31, 2021)



Source: Torchlight Loan Services, LLC.

CMBS Named Special Servicing by State
(As of Dec. 31, 2021)



Source: Torchlight Loan Services, LLC.

TLS's CMBS special servicing portfolio includes 18 multiborrower conduit transactions, including two "one off" loan assignments and six SASB transactions. Approximately half of TLS's special servicing portfolio comprises third-party servicing assignments on behalf of seven investors by transaction count. Secondary market investments by TI added four legacy SASB transactions to the portfolio in 2021.

During 2021, TLS resolved 26 loans and three REO assets representing $439.0 billion. By count, 20 loans were returned to the master servicer as corrected, five loans were resolved through either note sales, discounted payoffs or foreclosure sales, one loan paid in full and three REO assets were liquidated. The company has resolved over 700 loans totaling $11.5 billion since inception.

Loan Administration

TLS is proactive in its surveillance practices via regular communication with master servicers for securitized transactions in which it is the named special servicer. TLS utilizes Backshop to monitor loan performance. The application gives TLS access to CREFC reporting data from master servicers and trustees, which is updated monthly. 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 legacy database of TI bond positions created during investment underwriting, 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, 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 secures 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.

TLS's special servicing portfolio comprises 2002 through 2018 vintage multiborrower transactions and 2015 through 2019 vintage SASB transactions. Approximately half of the portfolio is serviced on behalf of third-party investors by transaction count.

REO Management

When a property is placed 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 expenses and capex 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.

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%–20% of eligible firms annually. The scope of the audits includes rental income reporting and collection verification, reviews of expense processing and cash account reconciliations, a common area accounting review, a review of third-party contractors and a compliance review of the property management agreement.

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 SVP of legal, the head of special servicing and an SVP in special servicing.

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, as well as hedge funds that hold controlling class bonds, approximately half of TLS's named special servicing assignments by transaction count 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 27 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.

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

Fitch reviewed a sample of business plans for five specially serviced loans. Fitch found that the 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 would 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.

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.