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## Servicer Evaluation: Torchlight Loan Services LLC

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# Servicer Evaluation: Torchlight Loan Services LLC

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

## Rationale

S&P Global Ratings' ranking on Torchlight Loan Services LLC (TLS) is ABOVE AVERAGE as a commercial mortgage loan special servicer. On March 30, 2022, we affirmed the ranking (see "Torchlight Loan Services LLC ABOVE AVERAGE Commercial Mortgage Loan Servicer Ranking Affirmed; Ranking Outlook is Stable" published March 30, 2022). The ranking outlook is stable.

Our ranking reflects TLS's:

- Long track record of successfully resolving commercial real estate loans and managing real estate-owned (REO) assets;
- Good leverage of technology to enhance operations including the use of a third-party asset management and special servicing system;
- Internal control environment, which includes internal and external audits and well-defined delegations of authority;
- Employee training program, which supplements on-the-job training with some formal training sessions; and
- Experienced senior management, albeit with lower industry experience and company tenure than the average of its peers.

Since our last review (see "Servicer Evaluation: Torchlight Loan Services LLC," published Oct. 21, 2020), the following changes or developments have occurred:

- The active special servicing portfolio decreased to 16 assets from 38 assets and by 18.9% by unpaid principal balance (UPB) due to a decline in COVID-19 pandemic-related transfers during 2021 accompanied by the completion of 42 loan resolutions between mid-year 2020 to year-end 2021. Most of the loan resolutions involved assets that had transferred to special servicing in 2020 due to issues caused and exacerbated by the COVID-19 pandemic.
- Four of the five asset managers who were temporarily assigned to special servicing due to the unexpectedly high volume of 2020 transfers were fully reassigned to their former positions because special servicing volume decreased.
- Torchlight Investors LLC (TI) segregated its email systems by moving away from the environment provided by the vendor that maintains its network and systems to the Microsoft Exchange Cloud environment in order to reduce its heavy reliance on one vendor.

- TI engaged a third vendor to review, assess, and strengthen its cybersecurity environment.
- TI acquired nine B-pieces in 2021, including five from single-asset, single-borrower transactions in the secondary market, on which it appointed TLS as the special servicer.
- TI raised over \$2 billion for its seventh closed-end debt fund, which is expected to invest in B-pieces as a component of its investment strategy.

The ranking outlook is stable. TLS responded effectively to challenges posed by the COVID-19 pandemic by transferring experienced employees from its asset management and underwriting teams to the special servicing group. Now that COVID-19 pandemic-related special servicing transfers have abated, we expect that TLS will continue to invest in the necessary people and systems and maintain an internal control environment to manage its portfolio commensurate with its ABOVE AVERAGE ranking.

In addition to conducting an on-site meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through Dec. 31, 2021, as well as other supporting documentation provided by the company.

## Profile

Servicer Profile	
Servicer	Torchlight Loan Services LLC
Primary servicing location	New York
Parent holding company	Torchlight Investors LLC
Loan servicing system	Backshop

TLS is the commercial mortgage loan special servicing subsidiary of TI. Formed in 1995, TI provides commercial real estate investment management services, including portfolio management, commercial real estate lending, and distressed debt workouts. As an SEC-registered investment advisor, TI manages funds that invest in mortgages and mezzanine loans, preferred equity, equity, Freddie Mac B-pieces, and CMBS, including as a B-piece buyer. As of Dec. 31, 2021, TI had approximately \$5.7 billion in assets under management.

TLS acts as the special servicer primarily on CMBS transactions in which TI affiliates are the B-piece investors. It also handles third-party assignments, mostly through reverse inquiry or retention after a change in the directing certificate holder on CMBS transactions. As of Dec. 31, 2021, TLS' named CMBS special servicing volume was \$9.1 billion in UPB across 24 transactions, which is flat compared to our last review. As of the same time, TLS' active special servicing volume included ten loans and six REO with a total of approximately \$646 million in UPB. The special servicing employee base includes 18 employees some of which are not fully dedicated to special servicing (see table 1).

**Table 1**

Total Servicing Portfolio						
	UPB (mil. \$)	YOY change (%)	No. of assets	YOY change (%)	No. of staff	YOY change (%)
<b>Special servicing</b>						
Dec. 31, 2021	646.0	(29.8)	16	(61.9)	18	(10)

**Table 1**

<b>Total Servicing Portfolio (cont.)</b>						
	<b>UPB (mil. \$)</b>	<b>YOY change (%)</b>	<b>No. of assets</b>	<b>YOY change (%)</b>	<b>No. of staff</b>	<b>YOY change (%)</b>
Dec. 31, 2020	920.7	131.6	42	223.1	20	25.0
Dec. 31, 2019	397.5	(42.8)	13	(45.8)	16	0.0
Dec. 31, 2018	695.2	(21.9)	24	(42.9)	16	33.3
Dec. 31, 2017	889.7		42		12	

YOY--Year-over-year. UPB--Unpaid principal balance.

## Management And Organization

The management and organization subranking is ABOVE AVERAGE.

### Organizational structure, staff, and turnover

The special servicing group is a part of TI's asset management department, which also includes an asset management and analytics group that performs asset management on private equity and debt investments held in funds managed by the company. TLS's special servicing team is led by a partner with 17 years of industry experience who reports to TI's head of asset management, an executive with significant prior special servicing experience.

In addition to the head of special servicing, TLS's core special servicing team includes three asset managers, one of who is a senior vice president with 16 years of industry experience, an assistant vice president and an analyst. In times of high volume, the special servicing group can bring in additional TI employees with special servicing experience from other parts of the organization in order to manage volume. This was demonstrated during 2020 as volume unexpectedly rose due to the COVID-19 pandemic and TI reassigned five employees from the underwriting, acquisitions, and private asset management departments to the special servicing team. As of Dec. 31, 2021, four of these temporary asset managers had fully returned to their previous positions.

The special servicing team relies on other departments within TI for support and oversight, including members of the TI financial control group and the special servicing committee, which includes senior staff from TI and TLS. TI's financial control group performs special servicing 1099 reporting, invoice processing and management, revenue management and reporting, external auditor management, and special-purpose entity (SPE) management, while the six-person special servicing committee provides oversight on key special servicing decisions, including approving business plans for loan resolutions and REO asset sales. The members of the TI financial control group and the special servicing committee are included in TLS's reported headcount of 18 staff members (see table 1), although none of them are fully dedicated to TLS.

While the firm has been in existence for many years, we note that TLS's senior and middle management, asset managers, and other non-management staff possess levels of industry experience that are generally below levels reported by its peers. Reported company tenure levels are also lower than the average tenure level of ranked peers (see table 2).

**Table 2**

Years of Industry Experience/Company Tenure(i)								
	Senior managers		Middle managers		Asset managers		Staff	
	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure	Industry experience	Company tenure
Special	22	10	12	9	12	6	8	3

(i)As of Dec. 31, 2021.

Overall, TLS experienced very little turnover in 2021 and 2020. During 2021, TLS's only employee departures involved the planned return of the temporary reassigned asset managers to their original jobs. Turnover in 2020 was 6.3%, which represented one employee departure. The core special servicing team has been relatively stable since TI relocated its special servicing operations back to New York from Miami in 2017, especially in more recent years.

### Training

TLS provides its management and staff with on-the-job training supplemented with some formal training sessions that are mostly hosted by external vendors, which we believe is suitable for a special servicing operation of its size. Unlike some of our larger ranked servicers, TI does not have fully dedicated training personnel but instead assigns an asset manager to oversee its training program. Recent formal training session topics have included lender liability, compliance training, and keys to becoming a workout specialist. TLS also receives companywide compliance training, including in areas such as workplace harassment and cybersecurity. It targets 40 hours of annual training per employee and satisfied these targets in each of 2021 and 2020.

During the COVID-19 pandemic, TLS developed a training program for the aforementioned asset managers that transferred to special servicing that included policies and procedures and the special servicing system, accompanied by training sessions on legal- and asset management-related topics. Management believed that the program was such a success that it later decided to roll it out to nearly everyone in the asset management and underwriting departments to enhance organizational cross-training.

### Systems and technology

TLS has effective technology to meet its special servicing requirements and has continued to focus on technology enhancement projects to streamline its asset management and REO accounting functions. A third-party vendor hosts and maintains TI's network and systems and provides data backup routines and disaster recovery preparedness. The vendor also provides 24/7 help desk support. Key elements of its systems, applications, technology, and security environment are discussed below.

### Servicing system

The following applications are used in the servicing system:

- Asset managers use Backshop as a workflow tool with automated system tickler functionality to manage loan workouts from special servicing transfer until resolution. Backshop facilitates CRE Finance Council Investor Reporting Package reporting, business plan creation, net present value (NPV) scenario analysis, and business plan review and approval. The system contains workflows to help ensure compliance with servicing agreements and to help track third-party reports.

- TLS uses SAP Concur for automated invoice approval and expense tracking. The system also stores vendor data that allows asset managers to better negotiate the fee for service.
- TI uses Microsoft SharePoint for electronic document storage.
- In response to its office closure in March 2020 due to the COVID-19 pandemic, TI implemented DocuSign for remote transaction authorizations and Zoom to conduct internal and external remote meetings.

### ***Business continuity and disaster recovery***

The IT vendor that hosts and maintains TI's network and systems (network and systems vendor) conducts bi-annual disaster recovery (DR) tests for TI, which encompasses TLS. The last DR test was conducted in November 2021 with only minor issues noted. The network and systems vendor maintains a primary data center in Jersey City, N.J., and a secondary data center in Sacramento. The data is continually replicated from the production to the DR environment, and tape back-ups are maintained. TLS indicated that in the event of a disaster the vendor can restore key servicing functions within one hour. Since our last review, TI segregated its email systems by moving them from the network and systems vendor's environment to the Microsoft Exchange Cloud environment in order to reduce its heavy reliance on one vendor.

TLS reviews Backshop's DR policies and procedures (P&Ps) on a regular basis. The results from Backshop's latest DR test and SOC 1 report are also reviewed at least annually. Finally, a third-party vendor performs an annual cybersecurity risk assessment on Backshop on behalf of TI.

TI utilizes a work-from-home business continuity strategy, which includes TLS staff. It also has an agreement with another servicer to use some temporary office space in Atlanta if needed. Employees use Citrix for remote access, unlike most of our ranked servicers, which use a VPN connection to work from home. TI implemented its business continuity plan starting in March 2020 in response to the COVID-19 pandemic, and employees still mostly work from home.

### ***Cybersecurity***

TI maintains a cybersecurity P&P manual with oversight from the chief operating officer (COO), who acts as the information security coordinator. The manual outlines the technical and physical safeguards that all employees must take to protect sensitive information.

Since our last review, TI engaged a vendor to review, assess, and strengthen the security environment. This vendor now also performs weekly external vulnerability testing and annual internal vulnerability testing.

Other aspects of cybersecurity at TLS include that;

- TI limits access to sensitive information to those who need the information to perform legitimate business tasks or who need access to comply with government regulations or requirements.
- A third party performs annual network penetration testing. According to TLS, the last test conducted in June 2021 noted no material issues.
- The chief compliance officer and COO organize annual cybersecurity training.

- Since our last review, TI started to use its network and systems vendor's Security Information and Event Management platform. The platform allows the vendor and TI to detect, analyze, and respond to cybersecurity incidents.
- All TI employees receive quarterly phishing simulation emails to test and increase employee awareness on the risk of these attacks.
- TI's access control group, comprised of members of the senior membership team, monitors system user IDs and removes access when employees leave the company.
- The systems and network vendor implements software updates and security patches as necessary based on the security and functionality needs of the organization.
- TI maintains stringent password protocols, which require users to update their passwords every 60 days.

### **Internal controls**

TLS maintains an effective internal control environment that includes well-documented P&Ps, quality control measures, and internal and external audits.

#### ***Policies and procedures***

TLS's special servicing P&Ps are available to all servicing employees via SharePoint. They provide both the company's overall policy and a detailed list of the procedural steps needed to complete important special servicing tasks. P&Ps are reviewed and updated annually by TLS's senior managers in collaboration with the financial controls group. Only minor changes to P&Ps were made since our last review.

#### ***Compliance and quality control***

TI is an SEC registered investment advisor (RIA). To oversee its compliance with the necessary RIA requirements, TI has contracted with a third-party attorney to serve as its compliance officer, who oversees TI's code of ethics, which all employees, including TLS staff, must read and adhere to. TI's code of ethics includes protocols for the proper handling of non-public material information and confidentiality. The compliance officer also advises TLS on any potential conflicts with the investment advisory side of the business.

TLS uses management compliance reports to measure compliance with different pooling and servicing agreement (PSA) reporting requirements. The team holds weekly staff meetings to review business plan status. Asset managers also use standard checklists for tasks, such as new special servicing transfers, transitions to REO, and returning assets to the master servicer as a form of compliance management.

#### ***Internal and external audits***

TI engages an independent accounting firm to conduct a biennial internal audit of TLS's operations. The independent accounting firm sets the scope of the audit in consultation with TI's management. The most recent audit covered full-year 2020 and focused on risks associated with cash collection and administration, accounts payable and advances, special servicing administration, Backshop workflow, and investor and master servicing reporting. Only low-risk issues were identified. Management provided action plans for each issue that have since been implemented.

TLS has effective controls in place to facilitate Regulation AB (Reg AB) compliance, including REO accounting

reviews. TLS uses an independent accounting firm to perform annual Reg AB testing. The report covering 2021 was satisfactory with no issues noted.

### Insurance and legal proceedings

TLS 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 are no pending material servicing-related litigation items.

## Loan Administration

The loan administration subranking is ABOVE AVERAGE.

TLS has a long track record of successfully managing and disposing of complex troubled assets across the U.S. since inception in 1998, encompassing approximately 741 loans with a par value of \$11.5 billion and 242 REO properties totaling \$2.7 billion of real estate equity. As of Dec. 31, 2021, five of TLS's reported 18 employees were directly involved in loan workout and special servicing asset management, equating to a very manageable asset-to-asset-manager ratio of 3.4. We note that when TLS asset managers have extra capacity, they may also be used to support the private asset management side of the business.

Like other S&P Global Ratings-ranked special servicers, TLS experienced a sudden increase in special servicing transfers (primarily retail and lodging assets) due to the COVID-19 pandemic in 2020 with the portfolio growing by approximately 130% by UPB from a reported post-global financial crisis (GFC) low at the end of 2019 (see tables 1 and 3). Special servicing loan transfers subsequently declined dramatically in 2021 (from 47 to three), and UPB decreased by 29.8% as TLS resolved loans and liquidated REO assets.

While many of TLS's resolutions in 2020 and 2021 involved COVID-19-related transfers, they also included some GFC REO assets that had been among the most difficult to liquidate. As a result, the active special servicing portfolio as of year-end 2021 included mostly assets that were transferred to special servicing in 2020 and 2021. Nonetheless, the average age of TLS's loans in special servicing has reached a multi-year high of 29.5 months. An earlier vintage and significantly aged loan that transferred in 2015 and has been mired in considerable litigation has skewed this metric. While TLS was dismissed of liability in the subject litigation in 2014, a court injunction has prevented resolution of this loan absent a settlement between the borrower and the lender trust.

**Table 3**

Special Servicing Portfolio															
	Dec. 31, 2021			Dec. 31, 2020			Dec. 31, 2019			Dec. 31, 2018			Dec. 31, 2017		
	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)
<b>Active inventory</b>															
Loans	408.4	10	29.5	774.0	38	10.9	268.2	9	23.1	174.3	10	26.8	549.5	22	17.8
Real estate-owned	237.6	6	21.8	146.7	4	21.1	129.4	4	66.3	520.9	14	38.1	340.1	20	34.6



Table 3

Special Servicing Portfolio (cont.)															
	Dec. 31, 2021			Dec. 31, 2020			Dec. 31, 2019			Dec. 31, 2018			Dec. 31, 2017		
	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)
Total	646.0	16	26.6	920.7	42	11.9	397.5	13	36.4	695.2	24	33.4	889.7	42	25.8

Values may not add to totals due to rounding.(i)Avg. age reflects the time from the date the loan first became specially serviced to the reporting date.

### Loan recovery and foreclosure management

TLS displays effective and proactive loan recovery and foreclosure management protocols to efficiently resolve nonperforming loans across a broad spectrum of property types. Highlights include that:

- Upon a loan's transfer to special servicing, the assigned asset manager, with support from an analyst, obtains all of the necessary documents from the master servicer and trustee, if necessary, and completes an initial file review. The asset manager also sets up the loan in Backshop.
- Asset managers generally hire a local external attorney for consultation shortly after loan transfer. If the asset manager does not choose a firm on the preferred vendor list, they must obtain approval from the head of asset management before engagement.
- As necessary, the asset manager or analyst will engage vendors from the preferred vendor list to obtain inspections, perform appraisals, provide broker opinions of value, and prepare environmental condition reports.
- Asset managers complete standard business plans that recommend a course of action based primarily on NPV analysis. Business plans include duties of the special servicer per the PSA, property description, borrower discussion, risk analysis, and a discussion of alternatives.
- All major decisions, including workout business plans, must be approved by TLS's special servicing committee prior to seeking controlling classholder representative approval. The special servicing committee can review business plans and provide feedback in Backshop. According to company P&Ps, if the approved course of action is not completed within 120 days of approval, the asset manager must re-present the business plan to the special servicing committee. Business plans must also be re-approved if there are any material changes to the asset and/or recommended workout strategy.
- TLS senior managers hold weekly meetings to review the entire active special servicing portfolio. Loan workout strategies and the aging of special servicing assets are discussed, and updates are documented in Backshop.
- If TLS decides to commence a foreclosure action, the asset manager, in consultation with external legal counsel, moves to secure any rent from the property and determines if an updated environmental assessment and appraisal are needed. The special servicing committee and controlling classholder representative must approve foreclosure bids. TLS also uses a checklist for asset managers to follow while transferring assets to REO, which includes instructing external counsel to form an SPE, ensuring that the phase I environmental report is current as defined in the respective PSA, and creating an REO business plan.

Table 4

Total Special Servicing Portfolio--Loan Resolutions															
	2021			2020			2019			2018			2017		
	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)	UPB (mil. \$)	No.	Avg. age (mos.)(i)
<b>Resolutions</b>															
Loans	329.4	26	13.3	161.8	13	9.7	119.4	5	26.4	63.1	8	10.3	345.7	19	9.2
Foreclosed loans	212.5	6	16.2	136.3	4	17.3	0.0	0	N/A	386.1	8	22.2	102.3	9	8.0
Total	542.0	32	13.8	298.1	17	11.5	119.4	5	26.4	449.2	16	16.3	448.0	28	8.8
<b>Resolution breakdown</b>															
Returned to master	265.9	20	13.5	160.5	12	1.8	4.4	1	8.3	49.9	4	10.0	152.7	2	16.8
Full payoffs	36.0	2	9.8	0.0	0	N/A	14.8	1	4.0	6.5	2	9.9	70.3	9	5.4
DPO or note sale	27.6	4	14.3	1.3	1	104.9	100.1	3	39.8	6.8	2	11.1	122.7	8	11.7
Foreclosed loans	212.5	6	16.2	136.3	4	17.3	0.0	0	N/A	386.1	8	22.2	102.3	9	8.0
Total/average	542.0	32	13.8	298.1	17	11.5	119.4	5	26.4	449.2	16	16.3	448.0	28	8.8

Values may not add to totals due to rounding. (i)Avg. age reflects the time from the date the loan first became specially serviced to the reporting date. UPB--Unpaid principal balance. DPO--Discounted payoff.

### REO management and dispositions

TLS demonstrates sound REO asset management and sales oversight. Its asset managers handle both loans and REO assets. REO sales volume has decreased in recent years as TLS steadily sold the majority of its GFC-related REO assets. According to TLS, the low gross proceeds versus market value received in 2019, as well as through 2020, were a result of GFC assets (including two large malls) that were the most difficult to liquidate, accompanied by third-party appraisals that didn't accurately capture the assets' value (see table 5). In 2021, the gross-proceeds-versus-market-value ratio was more in line with industry averages, though we note the small sample size of three. Notable aspects of TLS' REO asset management and dispositions include that:

- Asset managers submit REO business plans for approval to the special servicing committee via Backshop. The REO business plans contain an asset disposition strategy (i.e., sell as-is or stabilize); a property management strategy; marketing efforts; projected losses; timeline of expected actions; property financial information; economics and market conditions; and budget assumptions.
- Asset managers select property managers and brokers from approved vendor lists.
- Property managers must prepare annual budgets for each property for REO asset managers, the head of special servicing, and the head of asset management to approve. Unbudgeted expenses require approval from the asset manager.
- TLS uses a third party to conduct property manager audits of a portion of the REO portfolio. The third party conducted three such property management audits in 2021.
- TLS does not generally contract brokers for more than 180 days to list the property. This allows for flexibility in re-listing the property because of poor broker performance. During the sales process, brokers provide monthly

reports describing all marketing activities associated with the property.

- The asset manager must seek approval from the head of special servicing before accepting a purchase offer and only if the offer falls within pre-approved parameters, as outlined in the REO business plan.

**Table 5**

Total Special Servicing Portfolio--REO Sales																
	2021				2020				2019				2018			
	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Market value (%)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Market value (%)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Market value (%)	Amount (mil. \$)	No.	Market value (%)	
Estimated market value	45.5	3	16.6	--	46.1	4	44.7	--	126.9	7	27.2	--	89.3	11	28.1	--
Gross sales proceeds	45.5	--	--	100.2	38.9	--	--	84.5	97.0	--	--	76.5	89.6	--	--	100.3
Net sales proceeds	45.0	--	--	98.9	39.4	--	--	85.6	104.6	--	--	82.4	80.1	--	--	89.6

REO--Real estate-owned.

### REO accounting and reporting

TLS's controls and procedures for property-level accounting and oversight are sound. Highlights include that:

- TI's financial controls group opens a minimum of two bank operating accounts for each REO property: one for disbursements and one for rent collection.
- The disbursement account can only be funded according to the terms of a pre-approved annual budget that requires TLS dual signatory approval and additional approval from financial controls.
- The property manager completes monthly financial statements, which are reviewed for any variances from the budget by an REO asset manager.
- Monthly bank reconciliations are reviewed and approved by the financial controls group.

### Subcontracting management

TLS handles the management and oversight of subcontractors in a controlled and effective manner. TLS maintains an approved vendor list that the head of special servicing and the head of asset management must certify annually. Vendors must meet TLS' standards for qualification (geographic and product expertise, licensing, insurance, and professional designations). SAP Concur stores vendor data, providing a resource for asset managers when negotiating cost of service with subcontractors. TLS does not use any TI affiliates as vendors.

On an engagement-by-engagement basis, the special servicing team must complete and submit a vendor approval form that includes a vendor risk rating to the TI controller. TI and TLS must obtain extra documentation for all medium- and high-risk vendors, including SOC-1 reports. TLS, in conjunction with financial control, evaluates vendor risk ratings annually.

### **Performing loan surveillance**

TLS takes a proactive approach to surveillance for both performing and nonperforming loans, though it does not have a dedicated surveillance team within its special servicing group. It uses a proprietary credit model that runs algorithmic tests based on loan performance indicators, including debt service coverage ratio, debt yield, occupancy, and tenant rollover. TLS also regularly reviews loan performance reports from master servicers, including cash management trigger reports, and holds monthly calls with master servicers to discuss loan status. Topics during these calls include:

- Current watchlists, delinquency reports, upcoming maturities, and anticipated repayment dates;
- New special servicing loan transfers;
- Advancing and recoverability; and
- Other loan issues, such as cash management, loan covenants, and significant deferred maintenance items and insurance claims.

Any loans that are actively under discussion for potential default are classified as imminent default in Backshop, which serves as TLS's internal watchlist.

### **Borrower requests**

TLS addresses borrower requests in a well-controlled manner. All of its asset managers who work on non-performing loans also handle performing loan borrower consents. All borrower requests are re-underwritten by the asset manager and reviewed by the special servicing committee. In 2021, TLS processed 38 borrower consents, including 19 leasing consents, seven assumptions, seven releases, and five other requests. TLS processed 60 borrower requests in 2020. Unlike some larger special servicers that we rank, TLS does not have any employees fully dedicated to resolving borrower consent requests.

### **Legal department**

We believe the legal function is well-controlled. Special servicing relies primarily on external legal counsel for consultation on legal matters. TLS maintains an approved third-party legal counsel vendor list. Only the head of special servicing or another authorized signatory may execute a legal engagement letter. Furthermore, asset managers review and approve all legal invoices before payment.

## **Financial Position**

The financial position is SUFFICIENT.

## **Related Research**

- Select Servicer List, April 19, 2022
- Torchlight Loan Services LLC ABOVE AVERAGE Commercial Mortgage Loan Servicer Ranking Affirmed; Ranking Outlook is Stable, March 30, 2022
- Servicer Category Descriptions Expanded and Revised, Feb. 24, 2022

- Servicer Evaluation Spotlight Report™: Environmental, Social, And Governance Factors Have Consistently Powered Our Servicer Evaluation Rankings, Nov. 16, 2020
- Servicer Evaluation: Torchlight Loan Services LLC, Oct. 21, 2020
- U.S. Commercial Mortgage Servicers Preparing For Impact From COVID-19, April 3, 2020
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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