FitchRatings

Structured Finance
Commercial Mortgage Servicer
North America

Torchlight Loan Services, LLC

Ratings

Commercial Special Servicer[a]	CSS2

[a]Last Rating Action: Affirmed on April 28, 2023

Rating Outlook

Commercial Special Servicer	Stable

Assigned: April 2023

Applicable Criteria

Criteria for Rating Loan Servicers (December 2022)

Criteria for Rating North American Commercial Mortgage Servicers (December 2022)

Related Research

Fitch Affirms Torchlight's Commercial Special Servicer Rating (April 2023)

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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 2022.

TI has a long history of fund raising to support CRE mortgage, mezzanine, equity and securitization investments. The company recently held its initial closing of an eighth debt fund, raising $860 million in December 2022. During 2022, TI purchased one B-piece position on the secondary market for a 2019 vintage single-asset single-borrower (SASB) transaction totaling $343 million. TLS' securitized named special servicer portfolio has declined 27% by loan count since 2020; however, the firm's two most recent funds are active, and potential TI fund investments in securitized transactions as well as loan originations are expected to grow the named special servicing portfolio.

TLS serves as special servicer for non-securitized loans held in TI funds, which are a combination of mezzanine loans, preferred equity investments, senior mortgages and limited joint-venture (JV) equity investments. As of Dec. 31, 2022, TLS was the named special servicer for 42 non-securitized loans totaling $3 billion, all of which were performing as of April 2023.

During 2022, TLS resolved five securitized assets totaling $171.7 million, including three REO liquidations representing $103.2 million. The company has resolved 742 securitized loans totaling $11.6 billion since inception. In the past 24 months, TLS resolved nine non-securitized loans originated by TI, mainly via modifications consisting of interest rate cap adjustments (with interest shortfall reserves) and maturity date extensions.

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.

Key Rating Drivers

Company/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. TLS' securitized portfolio has declined mainly due to trust terminations as well as transfers to other servicers. However, management has a long track record of securitization market participation, and recent investment funds are expected to provide capital for three to four CRE securitization investments annually.

Staffing and Training: Special servicing is supported by 17 employees, four of whom are fully dedicated to TLS, while the remaining employees are shared resources with TI. Overall employee turnover increased in 2022 to 17% from 5% and 6% the prior two years due to three staff-level departures; there was no management turnover. In the past 12 months, asset manager turnover increased to 40% from none at last review due to an internal transfer. Fitch believes TLS is appropriately staffed for current and expected servicing responsibilities and has demonstrated an ability to hire staff as needed and quickly transfer staff from affiliates. Previously, five TI employees were seconded to TLS as a result of the increase in defaulted loans and borrower consent requests during the pandemic. Additionally, TLS' asset to asset manager ratio remained low at 5:1, indicating excess capacity should defaults rise.

The eight members of the senior management team, two of whom are fully dedicated to TLS, average 24 years of industry experience and 11 years with the company, while two middle managers average 14 years and 11 years, respectively. Fitch classified two senior managers as asset managers who are fully dedicated to special servicing. Collectively, two asset managers average 18 years of industry experience and eight years of tenure.

Technology: TLS' 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. Recently, TLS consolidated historical resolution data into Backshop and a new secure server. The historical data include recovery and realized loss information, which TLS uses to benchmark resolutions and track fees to ensure market rates are used.

Corporate Governance: Controls include 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. Fitch notes TLS' demonstrated history of engaging 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.

Defaulted/Nonperforming Loan Management: Loan workout 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. During 2022, TLS resolved five securitized assets totaling $171.7 million, including three REO liquidations representing $103.2 million. The company has resolved 742 securitized loans totaling $11.6 billion since inception. In the past 24 months, TLS resolved nine non-securitized loans originated by TI, mainly via modifications consisting of interest rate cap adjustments (with interest shortfall reserves) and maturity date extensions.

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.

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

Company Experience Since

CRE Loan Workout	1998
CRE Servicing	1998

Source: Torchlight Loan Services, LLC

Operational Trends

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

Source: Fitch Ratings

Company Overview

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

	12/31/22	% Change	12/31/21	% Change	12/31/20
Special Servicing — Named					
UPB ($ Mil.)	9,730.0	(21)	12,316.1	27	9,727.2
No. of Loans	344	(23)	444	(2)	452
Special Servicing — Active[a]					
UPB ($ Mil.)	461.5	(29)	646.0	(32)	955.0
No. of Loans	11	(31)	16	(64)	44

[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 had approximately $5.7 billion under management in benchmarked, opportunistic, and long-term and short-term CRE debt strategies as of Dec. 31, 2022.

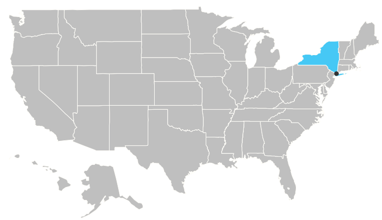
TI has raised and managed eight closed-end debt funds (DFs) since 2003, which have ranged in size from $280 million to more than $2.0 billion. TI's first three funds are fully realized and its DF IV and DF V are currently being harvested. DF VI launched in 2017, received capital commitments of approximately $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, had raised in excess of $2.0 billion as of December 2021 and is TI's largest investment fund to date. In December 2022, TI held its first close for DF VIII, raising $860 million, which is the largest amount raised for a first close to date by TI.

Loan originations for the debt funds are a combination of mezzanine loans, preferred equity investments, senior mortgages and limited JV equity investments. In some cases, TI may be in more than one position of the capital stack, such as originating a bridge senior mortgage and a preferred equity investment for the same property. Loan originations in 2022 were below the 2021 level as market volatility constrained lending.

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, sufficient liquidity position and flexible financial profile. TI experienced a decline in operating results with negative revenue growth as well as a decline in EBITDA, primarily due to negative macroeconomic conditions including inflationary pressures, particularly higher compensation, benefits and related taxes. The company does not have any debt outstanding and has not had any debt outstanding for

Office Locations



Primary Office: New York City

TI has a demonstrated history of successful fund raising and will continue to use investment funds as a source of capital. The company recently held its initial closing of an eighth fund, raising $860 million in December 2022. The firm's two most recent funds are active and potential TI fund investments in securitized transactions as well as loan originations that are expected to grow the named special servicing portfolio.

During 2022, TI purchased one B-piece position on the secondary market through DF VII for a 2019 vintage SASB transaction totaling $343 million. In 2021, TI acquired five Freddie Mac K-series transactions through DF VI and DF VII investments for which a third-party special servicer was named. TLS' securitized named special servicer portfolio has declined 27% by loan count since 2020 as 10 transactions transferred out during the period (eight terminated naturally and two transferred to another special servicer).

more than five years. TLS does not have a revolving credit facility, and primarily funds working capital needs with cash on hand and cash flow.

Employees

As of December 2022, the special servicing team consisted of 17 professionals, down from 18 and 20 employees the prior two years. 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 13 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.

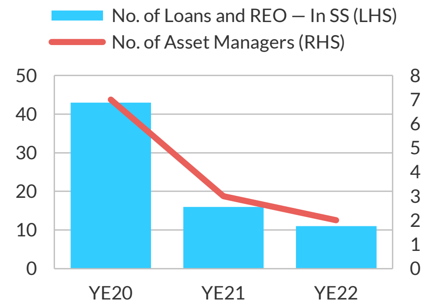
While employee turnover increased and headcount declined, Fitch believes TLS is appropriately staffed for current and expected servicing responsibilities. The company has demonstrated an ability to hire staff as needed and quickly transfer staff from affiliates. Previously, five TI employees were seconded to TLS as a result of the increase in defaulted loans and borrower consent requests during the pandemic. Additionally, TLS' asset to asset manager ratio remained low at 5:1, indicating excess capacity should defaults rise.

Employee Statistics

	2022				2021			
	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover	No. of Employees	Avg. Years Industry Experience	Avg. Years Tenure	% Turnover
Special Servicing								
Senior Management	8	24	11	0	8	22	10	0
Middle Management	2	14	11	0	1	12	9	50
Servicing Staff	7	9	3	37	9	8	3	0
Total	**17**	**—**	**—**	**17**	**18**	**—**	**—**	**5**

Note: 2021 employee data include one seconded employee who returned to TI in 2022.
Source: Torchlight Loan Services, LLC

SS Loan and Employee Counts



SS – Special servicing. REO – Real estate owned.
Source: Torchlight Loan Services, Inc.

Overall employee turnover increased in 2022 to 17% from 5% and 6% the prior two years, as a result of two voluntary employee separations and one internal transfer at the staff-level. Excluding the internal transfer, turnover would be 11%. While staff-level employee turnover increased, the three departures did not negatively affect the average employee tenure and industry experience.

The remaining seconded TI employee who was in special servicing for over one year returned to TI during 2022. One of the separations in the financial controls group was backfilled by a full-time, dedicated staff-level employee with three years of industry experience. Additionally, in 2022, TLS hired a new middle manager to oversee the surveillance group, backfilling the middle manager departure in the surveillance group at Fitch's prior review. There was no management turnover during 2022, an improvement from 11% management turnover at last review.

Fitch notes that only four TLS employees (23%) are fully dedicated to special servicing. The remaining employees are TI employees who spend between 10% and 50% of their time supporting special servicing.

The eight members of the senior management team, two of whom are fully dedicated to TLS, average 24 years of industry experience and 11 years with the company, while two middle managers average 14 years and 11 years, respectively. With the new middle manager addition, TLS strengthened management depth and returned the middle management layer back to two employees, consistent with 2020. Of the special servicing staff, two are fully dedicated and five comprise shared resources, and members average nine years of industry experience and three years with the company.

In the past 12 months, asset manager turnover increased to 40% from none at last review due to the recent internal transfer. Fitch classified two senior managers as asset managers who are fully dedicated to special servicing. Collectively, two asset managers average 18 years of industry experience and eight years of tenure. As of December 2022, the ratio of specially serviced assets to asset managers was 5:1, consistent with the last review and lower than that of other Fitch-rated conduit special servicers. Asset managers are supported by one dedicated staff-level employee with four years of industry experience, and two middle managers in the surveillance group spend approximately 10% of their time on special servicing and average 14 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.

During the pandemic, TI employees who transferred to TLS received a comprehensive training program, which included training on policies and procedures, Backshop, and legal and asset management topics. TI employees also shadowed existing TLS asset managers. The formal training program remains available for use should TLS need to transfer in employees from TI.

TLS reports that employees completed 42 hours of training on average in 2022, up from 40 hours at last review. Employee training is tracked by the operations department using spreadsheets. Recent training topics included: various office market updates, office modifications and forbearance agreements, foreclosure and receivership overviews, ground leases, SOFR caps and transition, online auctions and cybersecurity. Additionally, all employees completed two hours of compliance, anti-harassment and diversity, equity and inclusion (DEI) training in 2022.

TLS' 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' 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 2022, 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.

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. Recently, TLS consolidated historical resolution data into Backshop and a new secure server. The historical data include recovery and realized loss information, which TLS uses to benchmark resolutions and track fees to ensure market rates are used.

Technology

TLS' 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.

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 are 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 pooling and servicing 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 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.

TLS has not made material enhancements to Backshop in several years aside from creating customized reports and integrating historical resolution data. 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.

Recent technology enhancements in 2022 involved importing historical resolution data into Backshop from a SharePoint server and duplicating the data to a server operated by Eze Castle Integration (ECI). By centralizing the data, management and asset managers are able to more quickly access historical resolution information for benchmarking recent resolutions and monitoring borrower-paid fees to ensure fees are being charged at market rates. In 2021, enhancements were limited to segregating the company's e-mail services to the Microsoft Exchange Cloud environment, to eliminate reliance on a single technology vendor.

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

Cybersecurity

TLS, through its IT vendor, maintains cybersecurity policies and procedures, and has engaged separate vendors to perform weekly external vulnerability testing and annual internal vulnerability testing as well as penetration testing. All cybersecurity vendors report to TI's COO. The company has reported no cybersecurity incidents since Fitch's last review and continues to increase employee training and testing.

ACA Aponix reviews TLS' cybersecurity environment and performs weekly external vulnerability testing and annual internal vulnerability testing. TLS enrolled in ECI's security information and event management (SIEM) platform, which detects, analyzes and responds to cybersecurity incidents. The SIEM platform also includes monitoring of the dark web to ensure that corporate credentials are not compromised. ECI engages Drawbridge Partners to perform annual penetration testing, and test results (including remediation actions) are provided to TLS as requested. The last review was performed in October 2022, and no material issues were identified. Monthly, TLS meets with its vendors to review any vulnerabilities, and ECI patches all servers and workstations on a monthly basis. Antivirus and malware are continuously updated. Additionally, TLS also implemented quarterly phishing testing with ECI. Results of the test are discussed with the COO and any deficiencies are brought to the attention of the CCO.

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 April and October 2022 with successful results and no material exceptions. Backstop's most recent disaster recovery test was in May 2022 and, likewise, yielded successful results.

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 returned to the office in a hybrid schedule beginning in 2Q22.

Support provided by ECI for management of the disaster recovery process includes monitoring and maintaining both data replication and the associated IT hardware and applications at the disaster recovery data center. Data are backed up through replication technology that regularly copies all data from the primary data center to the disaster recovery site; 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.

Corporate Governance

TLS' 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; the most recent audit was completed in 2021 reviewing operations during 2020 with no findings. The next audit is expected to cover 2022 and be completed during 2023.

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

Fitch reviewed the 2023 version of TLS' 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. TLS completed its annual review of policies and procedures in February 2023, and there were no material changes. Recent policies and procedures updates were limited to the use of SharePoint and file maintenance.

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.

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, and 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. TLS maintains expense and payment protocols structured around three control criteria for expenses and segregated approvals between business lines and financial controls based on dollar amounts.

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.

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 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.

The most recent audit Fitch reviewed covered operations during 2020 with the internal audit report from Baker Tilly issued in 2021. The audit's scope included 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.

Fitch notes TLS' demonstrated history of engaging 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 2022 Regulation AB audit of TLS, consistent with the prior year. The company received an audit letter dated Feb. 22, 2023, which found the company to be in compliance with the minimum servicing standards as of Dec. 31, 2022, evidenced by management's attestation. TLS was not required to undergo a Uniform Single Attestation Program (USAP) audit.

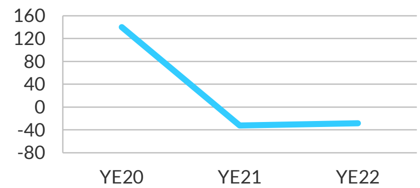
Special Servicing

Special Servicing Portfolio

As of Dec. 31, 2022, TLS was the named special servicer for 17 securitized multiborrower and SASB transactions, representing 302 loans totaling $6.7 billion. Of the securitized special servicing portfolio, the company was actively working out six securitized loans representing $290.7 million in outstanding balance and managing five REO assets representing $170.9 million in unpaid principal balance. As of the same date, TLS was also the named special servicer for 42 non-securitized loans held in TI funds totaling $3 billion; all of which are performing.

Special Servicing Portfolio by Balance

(% Change from Prior Period)



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

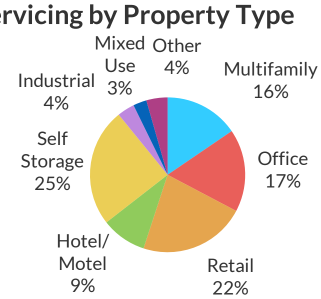
Special Servicing Portfolio Overview

	12/31/22	% Change	12/31/21	% Change	12/31/20
Securitized					
No. of Transactions — Special Servicer	17	-29	24	14	21
UPB — Special Servicer ($ Mil.)	6,677.0	-27	9,110.5	21	7,516.3
No. of Loans — Named Special Servicer	302	-24	398	-4	416
UPB — Actively Special Servicer (Non-REO) ($ Mil.)	290.7	-29	408.3	-47	774.0
No. of Loans — Actively Special Servicer (Non-REO)	6	-40	10	-74	38
UPB — REO Assets ($ Mil.)	170.9	-28	237.7	62	146.7
No. of REO Assets	5	-17	6	50	4
Nonsecuritized					
UPB — Named Special Servicer ($ Mil.)	3,053.0	-5	3,205.6	45	2,210.8
No. of Loans — Named Special Servicer	42	-9	46	28	36
UPB — Actively Special Servicing (Non-REO) ($ Mil.)	—	—	—	—	—
No. of Loans — Actively Special Servicing (Non-REO)	—	—	—	-100	1
UPB — REO Assets ($ Mil.)	—	—	—	-100	34.3
No. of REO Assets	—	—	—	-100	1

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

TLS' servicing portfolio of 17 transactions includes five SASB and 12 multiborrower CMBS deals. The company's multiborrower transactions were issued between 2002 and 2018, while the SASB transactions were issued between 2015 and 2019.

Named Securitized Special Servicing by Property Type



Source: Torchlight Loan Services, LLC

TLS' securitized special servicing portfolio includes 12 multiborrower conduit transactions, including a "one off" loan assignment and five SASB transactions. Approximately 53% of TLS' special servicing portfolio comprises third-party servicing assignments on behalf of seven investors by transaction count. Secondary market investments by TI added one 2019 vintage SASB transaction to the portfolio in 2022.

During 2022, TLS resolved five securitized assets totaling $171.7 million, including three REO liquidations representing $103.2 million. The three REO assets included a multifamily property in PA, a hotel portfolio in AR and a large hotel property in Times Square, New York City. On average, the properties were held as REO for 24 months. The company has resolved 742 securitized loans totaling $11.6 billion since inception.

During 2021-2022, TLS resolved nine non-securitized loans secured by one hotel, one office and seven multifamily properties. A majority of resolutions were modifications consisting of interest rate cap adjustments (with interest shortfall reserves) and maturity date extensions on loans originated by TI.

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 are 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.

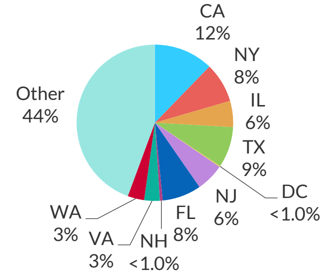
Within 90 days of the loan's transfer to special servicing, TLS creates a business plan, obtains an updated appraisal and secures at least one broker opinion of value. The company does the same within 90 days of the conversion of a loan to REO status. Asset managers work with legal counsel and other 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.

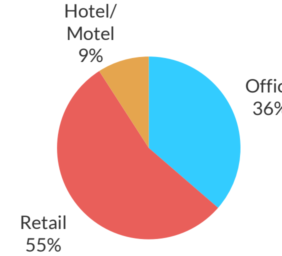
TLS' special servicing committee is an additional internal control around the workout process, as each workout is subject to approval from the relevant members of the six-member committee. The special servicing committee comprises three members of the TI senior management team, an AVP in TLS and two 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.

Named Securitized Special Servicing by State



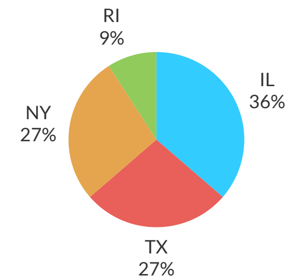
Source: Torchlight Loan Services, LLC

Active Securitized Special Servicing by Property Type



Source: Torchlight Loan Services, LLC

Active Securitized Special Servicing by State



Source: Torchlight Loan Services, LLC

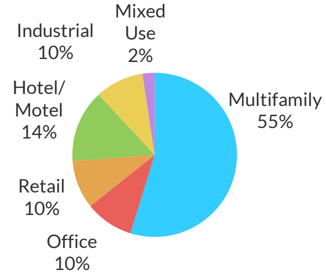
REO Management

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' 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.

Named Non-Securitized Special Servicing by Property Type



Source: Torchlight Loan Services, LLC

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 non-securitized B notes, as well as hedge funds that hold controlling class bonds, approximately half of TLS' 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 22 years of CRE experience, comprises three senior employees of TI and three employees of TLS. Additionally, decisions made by the special servicing committee require the unanimous consent of all members.

Members of TLS' special servicing credit committee include: 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 and AVP in special servicing.TLS' independent committee member passed away and was replaced by the AVP in special servicing.

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' special servicing credit committee.

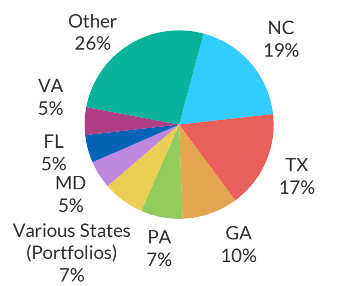
Torchlight manages potential conflicts of interest on two levels: first, through its policies and procedures, which require that all major special servicing decisions be made by the special servicing committee (although TI employees represent one half of the committee); and second, through TLS and TI 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 reviewed a sample of business plans for seven 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.

Named Non-Securitized Special Servicing by State



Source: Torchlight Loan Services, LLC

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.