

# RatingsDirect®

---

## Servicer Evaluation: Torchlight Loan Services LLC

**Servicer Analyst:**

Paul L Kirby, New York + 1 (212) 438 1365; paul.kirby@spglobal.com

**Analytical Manager:**

Robert J Radziul, New York + 1 (212) 438 1051; robert.radziul@spglobal.com

### Table Of Contents

---

Rationale

Profile

Management And Organization

Loan Administration

Financial Position

Related Research

# Servicer Evaluation: Torchlight Loan Services LLC

Ranking overview				
Servicing category	Overall ranking	Subrankings		
		Management and organization	Loan administration	Ranking Outlook
Commercial mortgage loan 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 April 11, 2024, we affirmed the ranking (see "Torchlight Loan Services LLC ABOVE AVERAGE Commercial Mortgage Loan Servicer Ranking Affirmed; Ranking Outlook Stable"). The ranking outlook is stable.

Our ranking reflects TLS':

- 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 management quality control checks, biennial internal audits, and well-defined delegations of authority;
- Employee training program, which occurs primarily on the job along with some formal training sessions;
- Experienced senior management and long operating history; and
- Small asset management team that on average has less industry experience than ranked peers.

Since our last review (see "Servicer Evaluation: Torchlight Loan Services LLC," published April 19, 2022), the following changes or developments have occurred:

- TLS received two third-party special servicing assignments, which was the primary driver of a substantial increase in the unpaid principal balance (UPB) of its active portfolio to \$2.6 billion from \$646.0 million.
- TLS hired a senior vice president with 15 years of industry experience to lead business development efforts.
- Torchlight Investors LLC (TI), TLS' parent company, hired a deputy chief compliance officer with eight years of industry experience, bolstering the now two-person compliance group.
- TI acquired three B-pieces, one from a single-asset, single-borrower transaction in which it appointed TLS as the special servicer and two from Freddie Mac K-Series transactions.
- TI initiated fundraising for its eighth closed-end debt fund, which is expected to invest 35%-40% of its targeted \$2.0 billion of total capital commitments in commercial mortgage-backed securities (CMBS) and Freddie Mac K-Series.

The ranking outlook is stable. We expect TLS' portfolio will continue to grow in the near term due to a significant increase in upcoming portfolio maturities in 2024 and 2025 compared to 2023, and due as well as to the growth of third-party special servicing assignments. We also expect management, which tracks projected special servicing portfolio volume, will hire as needed and maintain the necessary internal control and systems environment to effectively service its portfolio.

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, 2023, as well as other supporting documentation provided by the company.

## Profile

Servicer profile	
Servicer name	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 to institutional investors. As an SEC-registered investment advisor, TI manages funds that invest in private senior and mezzanine loans, preferred equity, equity, and public market transactions such as CMBS and Freddie Mac K-Series. As of Dec. 31, 2023, TI had more than \$6.0 billion in assets under management.

TLS acts as the special servicer primarily on CMBS transactions in which TI affiliates are the B-piece investor. It also selectively handles third-party CMBS assignments and recently hired a senior vice president to lead business development efforts for obtaining additional CMBS and Freddie Mac K-Series special servicing assignments. Since our 2022 review, TLS' named CMBS special servicing portfolio declined to \$8.2 billion in UPB across 19 transactions from \$9.1 billion in UPB across 24 transactions largely due to loan maturities. Over the same time, TLS' active special servicing volume grew to \$2.6 billion in UPB from \$646 million largely due to new third-party appointments on distressed office portfolios (see table 1). The reported special servicing team of 18 employees (see table 1) works from New York City and includes some employees who are not fully dedicated to special servicing.

**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, 2023	2,555.6	453.7	41	272.7	18	5.9
Dec. 31, 2022	461.5	(28.6)	11	(31.3)	17	(5.6)
Dec. 31, 2021	646.0	(29.8)	16	(61.9)	18	(10.0)
Dec. 31, 2020	920.7	131.6	42	223.1	20	25.0

**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, 2019	397.5	(42.8)	13	(45.8)	16	0.0

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

## 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 consists of public asset management, handled by the special servicing group, and private asset management, which manages the private equity and debt investments held in TI's investment funds. TLS' special servicing group is led by a partner with 19 years of industry experience who reports to TI's head of asset management, another partner and executive with 28 years of industry experience.

In addition to the head of special servicing, TLS' core special servicing group includes three asset managers, a senior vice president with 18 years of industry experience, an assistant vice president, and a senior analyst. In times of high volume, the special servicing group has demonstrated the ability to bring in additional TI employees with special servicing asset management experience from TI's underwriting, acquisitions, and private asset management departments, most recently evidenced during the COVID-19 pandemic.

The special servicing group relies on other departments within TI for support and oversight, including members of the TI financial control group and the special servicing committee. 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 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 are included in TLS' reported headcount of 18 staff members (see table 1), although none of these employees are fully dedicated to TLS. All members of the special servicing committee are also included in the headcount, even though it includes three senior TI staff members who are not fully dedicated to special servicing: the aforementioned head of asset management, the co-chief investment officer, who has 31 years of industry experience, and a partner from the legal department, who has 29 years of industry experience.

TLS' senior managers and staff have levels of industry experience that is comparable to peers, while the level of industry experience for middle managers and asset managers is generally below ranked peers (see table 2). The level of tenure of TLS' employees is comparable to the average of ranked peers.

**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 servicing	24	12	15	13	14	8	10	4

(i)As of Dec. 31, 2023.

Since our prior review, TLS reported modest turnover, including no departures during 2023. During 2022, TLS experienced a 17% turnover rate, which included the return of one temporary special servicing asset manager to private asset management.

### 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. Other noteworthy aspects of TLS' training program considered in our assessment include the following:

- 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, which includes setting up vendor-sponsored trainings and tracking training hours in Excel.
- TLS targets 40 hours of annual training per employee and reported that it satisfied these targets in each of 2022 and 2023.
- Recent formal training session topics have included legal training and updates on real estate market conditions.
- TLS also receives companywide compliance training, including workplace harassment and cyber security.
- TLS developed a special servicing training program for non-TLS personnel that includes policies and procedures (P&Ps) and the special servicing system to facilitate the transition for those temporarily assigned to special servicing during times of high volume.

### 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 (managed services provider) and provides data backup routines and disaster recovery preparedness. The managed services provider also provides 24/7 help desk support. Key elements of TLS' systems, applications, technology, and security environment are discussed below.

#### *Servicing system applications*

TLS uses the following system applications for special servicing:

- 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 such as property inspections, environmental reports, and appraisals.

- TLS uses SAP Concur for automated invoice approval and expense tracking. The system also stores vendor data that allows asset managers to help negotiate the fee for service.
- TI's data is hosted by its managed services provider, which provides a private cloud environment with two layers of file-backup protection.

Since our previous review, TLS migrated its historical loan resolution data from SharePoint to Backshop and started to use automated OSAR generation functionality within the system.

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

The managed services provider that hosts and maintains TI's network and systems in a cloud environment conducts biannual disaster recovery (DR) tests for TI, which encompasses TLS. The most recent DR test was conducted in November 2023 with only minor issues noted. The managed services provider 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 backups are maintained onsite. TLS indicated that in the event of a disaster the vendor can restore key servicing functions within one hour. TLS reviews Backshop's DR P&Ps on a regular basis. The results from Backshop's latest DR test and SOC 1 report are also reviewed at least annually.

TI utilizes a work-from-home business continuity strategy, which includes TLS staff. It also has an agreement with the vendor servicer that supports the private real estate asset management business to use some temporary office space in Atlanta if needed.

### ***Cyber security***

TI maintains a cyber security 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 undertake to protect sensitive information. TI primarily relies on two vendors to administer its cyber security program: its managed services provider and a cyber security consultant.

Key aspects of cyber security at TLS include:

- The cyber security consultant performs an annual cyber security risk assessment on Backshop on behalf of TI.
- The cyber security consultant performs annual network penetration testing and an annual cyber security audit. According to TLS, the last penetration test conducted in September 2023 noted no material issues.
- The chief compliance officer and COO organize annual cyber security training.
- TI limits access to sensitive information to those who need the information to perform legitimate business tasks or who need access to the information to comply with government regulations or requirements.
- The managed services provider's Security Information and Event Management platform allows the vendor and TI to detect, analyze, and respond to cyber security incidents.
- All TI employees receive phishing simulation emails to test and increase employee awareness every two months
- TI's access control group, composed of members of the senior membership team, monitors system user IDs and

removes access immediately when any employee leaves the company.

- The managed services provider 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, internal audits, and annual Regulation AB (Reg AB) audits.

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

TLS' special servicing P&Ps are available to all servicing employees on a shared drive. 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' senior managers in collaboration with the financial controls group. Only minor changes to P&Ps were made since our last review. TLS also maintains checklists for important special servicing tasks.

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

TI is an SEC registered investment advisor (RIA), and the compliance department oversees its compliance with RIA requirements. The compliance department includes a third-party attorney who serves as its chief compliance officer and a deputy chief compliance officer who was recently hired in part to help with additional compliance requirements adopted by the SEC as part of new rules and rule amendments to regulate private investment fund advisors. The compliance team's responsibilities include overseeing TI's code of ethics, which all employees, including TLS staff, are required to read and adhere to. TI's code of ethics includes protocols for the proper handling of material nonpublic information and confidentiality. The compliance team also advises TLS on any potential conflicts with the investment advisory side of the business.

TLS uses management reports to measure compliance with different pooling and servicing agreement (PSA) reporting requirements, and TLS managers and the financial control team review all investor reporting package reports before submitting to the master servicer. The team also holds weekly staff meetings to review the status of asset management business plans. Asset managers also use checklists for important 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' operations. The independent accounting firm sets the scope of the audit in consultation with TI's management. The most recent audit covered full-year 2022 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. No issues were identified.

TLS has effective controls in place to facilitate Reg AB compliance, including REO accounting reviews. TLS uses an

independent accounting firm to perform annual Reg AB testing. The report covering 2023 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, encompassing over 740 loans with a par value over \$11.7 billion and 250 REO and investment properties totaling \$2.9 billion of real estate equity.

As of Dec. 31, 2023, TLS' portfolio contained two large portfolio loans with many properties and several whole loans that contain different loan notes. Using the portfolio data stratified in table 4, we calculate a ratio of 5.7 assets per asset manager (eight whole loans, nine REO properties, and three asset managers). Given the small team size, all of TLS' three asset managers handle borrower consents as well as both nonperforming loans and REO assets.

Special servicing volume increased by 295.6% by UPB since our previous review due to an increase in office portfolio transfers and two new third-party assignments of large portfolios of office assets. Given the influx of specially serviced assets during 2023, asset count more than tripled to 41 from 11, leading to a three-year low in average hold time (see table 3). As of year-end 2023, 96.2% of the active special servicing portfolio by UPB was collateralized by office properties, with the remainder of the assets collateralized by retail properties. TLS loan resolution volume slowed down significantly since our last review, with no activity in 2023 following three resolutions during 2022 (see table 5). Most COVID-19 related transfers were resolved during 2020 and 2021, and there were no new transfers in 2022 before an influx of 2023 new transfer volume.

**Table 3**

Special servicing portfolio															
	Dec. 31, 2023			Dec. 31, 2022			Dec. 31, 2021			Dec. 31, 2020			Dec. 31, 2019		
	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)	UPB (mil. \$)	No.	Avg. age (i)
<b>Active inventory</b>															
Loans	2,315.7	32	13.5	290.7	6	50	408.4	10	29.5	774.0	38	10.9	268.2	9	23.1
Real estate owned	239.9	9	15.2	170.9	5	31.2	237.6	6	21.8	146.7	4	21.1	129.4	4	66.3
Total	2,555.6	41	13.9	461.5	11	41.5	646.0	16	26.6	920.7	42	11.9	397.5	13	36.4

Note: Totals may not add due to rounding. (i) Average age reflects the time in months from the date the loan first became specially serviced to the reporting date.



**Table 4**

**Total special servicing portfolio by number of whole loans, loan notes, and properties(i)**

	No. of whole loans	No. of loan notes(ii)	No. of properties
Specially serviced loan	8	32	18
Real estate owned	3	9	9
Total	11	41	27

(i)As of Dec. 31, 2023. (ii)Includes A notes, B notes, and senior companion loans.

**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:

- Upon a loan's transfer to special servicing, the assigned asset manager sets up the loan in Backshop and, with support from an analyst if requested, obtains the necessary documents from the master servicer and trustee to complete an initial file review.
- Asset managers generally engage a local external attorney for consultation shortly after loan transfer. If the asset manager does not choose a firm that was hired previously from the preferred vendor list, they obtain two proposals and receive 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 typically complete an initial business plan or asset status report within the first 60 days after the loan is transferred to special servicing. The assigned manager later creates a more detailed business plan that recommends a course of action based primarily on NPV analysis and outlines the duties of the special servicer per the PSA. The business plan also includes a property description, detailed discussions with the borrower, a risk analysis, and an evaluation of resolution alternatives.
- All major decisions, including workout business plans, are approved by the special servicing committee prior to seeking approval from the controlling class holder representative. The special servicing committee can review business plans and provide feedback in Backshop and provide authorized signatures through DocuSign. According to company P&Ps, if the approved course of action is not completed within 120 days of approval, the asset manager re-presents the business plan to the special servicing committee. Business plans are also required to be reapproved 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 real-time 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 class holder representative approve foreclosure bids, which typically consider the property value, transfer tax, potential deficiency amount, and redemption rights.

Table 5

Total special servicing portfolio--loan resolutions															
	2023			2022			2021			2020			2019		
	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)	UPB (mil. \$)	No.	Avg. age(i)
<b>Resolutions</b>															
Loans	0.0	0	N/A	68.5	2	19.2	329.4	26	13.3	161.8	13	9.7	119.4	5	26.4
Foreclosed loans	0.0	0	N/A	18.0	1	21.0	212.5	6	16.2	136.3	4	17.3	0.0	0	N/A
Total	0.0	0	N/A	86.5	3	19.8	542.0	32	13.8	298.1	17	11.5	119.4	5	26.4
<b>Resolution breakdown</b>															
Returned to master	0.0	0	N/A	10.1	1	15.9	265.9	20	13.5	160.5	12	1.8	4.4	1	8.3
Full payoffs	0.0	0	N/A	0.0	0	N/A	36.0	2	9.8	0.0	0	N/A	14.8	1	4.0
DPO or note sale	0.0	0	N/A	58.4	1	22.6	27.6	4	14.3	1.3	1	104.9	100.1	3	39.8
Foreclosed loans	0.0	0	N/A	18.0	1	21.0	212.5	6	16.2	136.3	4	17.3	0.0	0	N/A
Total/average	0.0	0	N/A	86.5	3	19.8	542.0	32	13.8	298.1	17	11.5	119.4	5	26.4

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date. UPB--Unpaid principal balance. N/A--Not applicable. DPO--Discounted payoff.

### REO asset 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 remained steady at a relatively low rate of sales since our last review and has included two COVID-19 related hotel assets. Similar to our prior review, the gross sale proceeds and market value ratios were lower than ranked peers in 2022 and 2023, though in TLS' case we note a very small sample size (see table 6). According to TLS, one asset sale in each of 2023 and 2022 skewed the ratios. In 2023 the appraiser dramatically underestimated the amount of property improvement plan expenses that a potential buyer would need to undertake after buying a hotel property that TLS sold that year, while in 2022, TLS sold a hotel property that involved the renegotiation of the terms of a ground lease and a union contract, and therefore was difficult to value.

Notable aspects of TLS' REO asset management and dispositions include:

- Asset managers submit REO business plans for approval to the special servicing committee via Backshop as soon as it becomes evident that REO is the preferred resolution path. The REO business plans contain an asset disposition strategy (e.g., sell as-is or stabilize), a property management strategy, marketing efforts, projected losses, timeline of expected actions, property financial information, economic and market conditions, and budget assumptions.
- Asset managers select property managers and brokers from approved vendor lists.
- Property managers prepare annual budgets for each property for 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 several property management audits in 2022 and 2023.

- TLS does not generally contract brokers for more than 180 days to list the property. This allows for flexibility in relisting the property in the event of poor broker performance. During the sales process, brokers provide monthly reports describing all marketing activities associated with the property. TLS also uses industry standard auction platforms to market and sell properties.
- The asset manager is required to seek approval from the head of special servicing before accepting a purchase offer and will accept only if the offer falls within preapproved parameters, as outlined in the REO business plan.

**Table 6**

Total special servicing portfolio--real estate-owned sales															
	2023			2022			2021			2020			2019		
	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)	Amount (mil. \$)	No.	Avg. REO hold period (mos.)
Estimated market value	34.6	2	18.8	120.6	3	18.0	45.5	3	16.6	46.1	4	44.7	126.9	7	27.2
Gross sales proceeds	21.3	--	--	106.9	--	--	45.5	--	--	38.9	--	--	97.0	--	--
Gross sales proceeds/market value (%)	61.6	--	--	88.7	--	--	100.2	--	--	84.5	--	--	76.5	--	--

### REO accounting and reporting

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

- 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 preapproved annual budget that requires TLS' dual signatory approval and additional approval from financial controls.
- The property manager prepares monthly financial statements, which are reviewed for any variances from the budget by an 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 certify annually. Vendors are expected to 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 and assessing their performance. TLS does not use any TI affiliates as vendors.

On an engagement-by-engagement basis, the special servicing team completes and submits a vendor approval form to the TI controller that includes a vendor risk rating. TI and TLS obtain extra documentation including SOC-1 reports for all medium- and high-risk vendors. 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' internal watchlist.

### **Borrower requests**

TLS addresses borrower requests in a well-controlled manner. Its asset managers work on nonperforming loans along with performing loan borrower consents. All borrower requests are re-underwritten by the asset manager and reviewed by the special servicing committee. In 2023, TLS processed 14 borrower consents, including 10 leasing consents and one loan assumption. TLS processed 22 borrower requests in 2022.

### **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**

- Torchlight Loan Services LLC ABOVE AVERAGE Commercial Mortgage Loan Servicer Ranking Affirmed; Ranking Outlook Stable, April 11, 2024
- Select Servicer List, Jan. 22, 2024
- Servicer Evaluation: Torchlight Loan Services LLC, April 19, 2022
- Servicer Category Descriptions Expanded and Revised, Feb. 28, 2022
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

This report does not constitute a rating action.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.