

Prelios Credit Servicing ABOVE AVERAGE Rankings Affirmed; Outlook Stable And Financial Position Revised To SUFFICIENT

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OVERVIEW

- We have affirmed our overall ABOVE AVERAGE rankings on Prelios Credit Servicing as a special servicer of residential and commercial mortgages and master servicer of residential mortgages, commercial mortgages, and unsecured credits in Italy.
- Part of the Prelios Group, the servicer employs 76 staff members and offers loan management services.
- The outlook is stable.

LONDON (S&P Global Ratings) Aug. 10, 2018--S&P Global Ratings today affirmed its overall ABOVE AVERAGE rankings on Prelios Credit Servicing SpA (PCS) as a special servicer of residential and commercial mortgages in Italy. We also affirmed our ABOVE AVERAGE overall rankings on PCS as a master servicer of residential, commercial and unsecured loans. The outlook is stable across all rankings.

Our rankings reflect:

- Being part of the Prelios Group, the servicer can leverage on the group's real estate expertise and service offering including brokerage, property management, and valuations.
- The company's executive team, that is well-experienced in the Italian

servicing market.

- PCS' ability to deliver and absorb substantial business growth.
- The servicer's continuous focus on people management and staff retention.
- PCS' sound internal controls system, further enhanced by the introduction of a complaints handling tool, and subject to group oversight.
- The servicer's proprietary IT system, which is frequently updated and effectively supports the master and special servicing workflows and boarding activity.
- A team of internal and external loan managers, suitably sized to perform the special servicing activity.
- Appropriate subservicer monitoring controls, governing the master servicing activity.

OUTLOOK

The outlook is stable. The servicer's servicing operations are supported by an experienced leadership team and reliable IT platform. In addition, PCS demonstrated its ability to attract new business and is currently building its track record in managing an expanded special and master servicing portfolio.

Since our prior review (see "Servicer Evaluation: Prelios Credit Servicing SpA, " published on March 31, 2017), PCS has reported the following key changes:

- Prelios Group, the parent company of PCS, was acquired by Davidson Kempner, an American investment management firm.
- In the first half of 2018, PCS significantly increased its master and special servicing portfolios under management, including several new GACS transactions.
- PCS reorganized the structure of its special servicing department and expanded its team of external loan managers, in line with its business growth.
- The servicer increased the size of its business development department and established a network of external professionals that support its due diligence and boarding activity.
- The servicer implemented a group training academy and rolled out smart working.
- PCS was subject to Bank of Italy's inspection, which did not result in any sanctions against the company.
- The servicer enhanced the application that tracks loan managers' performance.

FINANCIAL POSITION

We have revised the servicer's financial position to SUFFICIENT from INSUFFICIENT.

RELATED CRITERIA

- Criteria - Structured Finance - Servicer Evaluations: Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Criteria - Structured Finance - Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

RELATED RESEARCH

- Select Servicer List, June 18, 2018
- Servicer Evaluation: Prelios Credit Servicing SpA, March 31, 2017

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