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Servicer Evaluation: Mount Street Mortgage Servicing Ltd.

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Table Of Contents

Rationale

Profile

Management And Organization

Loan Administration - Primary And Special Servicing

Financial Position

Related Research

Servicer Evaluation: Mount Street Mortgage Servicing Ltd.

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

Rationale

S&P Global Ratings' overall rankings on Mount Street Mortgage Servicing Ltd. (MSMS) are ABOVE AVERAGE as a primary and special servicer of commercial mortgages in the U.K. On June 22, 2023, we affirmed the rankings (please see "Mount Street Mortgage Servicing Ltd. (U.K.) Commercial Mortgage Servicer Rankings Affirmed; Ranking Outlooks Stable," published on June 22, 2023). The ranking outlook on each ranking is stable.

MSMS is an independent primary and special servicer of commercial mortgage loans in the U.K. that is part of a wider group, Mount Street Group Ltd. (MSG), active in the loan servicing and related commercial real estate management sector with offices in Europe, the U.S., and Australia.

Our rankings reflect MSMS':

- Experienced leadership and knowledgeable staff with sufficient levels of tenure;
- Significant growth in the primary servicing portfolio through expanded investor diversity, accompanied by an increase in overall staff levels;
- Higher level of turnover registered in 2022 compared to the previous three years;
- Diversified training program supported by the internal control functions on specific activities;
- Well-designed internal control environment, which remain segregated from servicing and operating activities; and
- Continued focus on developing and enhancing its robust information technology (IT) platform that includes a proprietary cloud-based servicing and asset management system that is scalable, agile and efficient.

Since our previous review (see "Servicer Evaluation: Mount Street Mortgage Servicing Ltd.," published on Aug. 20, 2020), the following changes and/or developments have occurred:

- In December 2022, MSG divested certain non-core business lines to focus on its core servicing and portfolio management business lines.
- In the fourth quarter of 2022, the operating model for the loan administration team was revised with a goal to provide enhanced service delivery, more efficient cross training, and more effective integration of new staff.

- In April 2022, MSMS hired an external manager with extensive experience in commercial real estate servicing as the head of EMEA primary servicing, replacing the former head who was promoted to head of EMEA loan servicing, responsible for the wider set of EMEA servicing operations.
- In March 2022, MSMS appointed a groupwide risk control officer (RCO) through an internal promotion and developed a comprehensive risk management framework.
- In February 2022, one of the MSMS and MSG co-chief executive officers (co-CEOs) assumed the newly created role of executive chairman of both entities, and the other co-CEO became the sole CEO.
- In January 2022, MSMS closed on a mandate in partnership with HSBC (which will provide fund administration services) to provide loan administration, loan management, and surveillance for the commercial mortgage loans acquired by Aviva Investors Global Services Ltd. (Aviva).
- In October 2021, MSMS created the position of group information security director, employing an executive with over 26 years of multi-sector global information security leadership experience.
- In June 2021, MSMS established an Organization and Controls (O&C) department, managed by an employee with nine years of company tenure, to enhance its internal controls framework.
- In 2021, the company launched a new task management system, a new loan onboarding checklist to capture key departmental responsibilities, and a new compliance model to monitor covenant compliance and loan performance.

The ranking outlook on both rankings is stable. Since our prior review, MSMS has demonstrated a sustained ability to deliver a high-quality standard of service across asset classes while growing its investor diversity, servicing portfolio, and staffing levels.

MSMS has well-established servicing operations, robust experience levels across management and staff, a mature IT platform that continues to evolve, and the infrastructure in place to service its portfolio consistent with industry standards. We expect MSMS will maintain the people, processes, and technology needed to remain a highly effective servicer for the commercial mortgage loan portfolio it services.

In addition to conducting an on-site and virtual meeting with servicing management, our review includes current and historical data collection templates through Dec. 31, 2022, as well as other supporting documentation provided by the company.

Profile

Servicer profile	
Servicer name	Mount Street Mortgage Servicing Ltd.
Primary servicing location	London
Parent company (if applies)	Mount Street Group Ltd.
Servicer affiliates	Mount Street Portfolio Advisers GmbH, Mount Street Portfolio Advisers LLC, Mount Street US (Georgia) LLP, Mount Street US (Kansas) LLC, Mount Street Hibernia Servicing Ltd., Mount Street Servicing GmbH, and Mount Street Australia Pty Ltd.
Loan servicing system	CreditHub

MSMS is an independent primary and special servicer of commercial mortgage loans in the U.K. that is part of a wider group, MSG, active in the loan servicing and related commercial real estate management sector with offices in Europe, the U.S., and Australia.

Since our prior review, MSMS onboarded several new portfolios, including a mandate in partnership with HSBC to service loans for Aviva. In conjunction with this mandate, the servicer onboarded over 500 commercial mortgage loans with a gross book value (GBV) of approximately £8.1 billion in the U.K. The loans are managed by a dedicated team of 37 staff as of year-end 2022.

Further, MSMS has won exclusive primary servicing appointments from several global investment management firms. As a result, the servicer's pan-European portfolio increased to £53.8 billion as of December 2022 from £33.5 as of June 2020. There are 1,109 loans in the overall portfolio, of which 1,063 loans (£45.4 billion) were owned by third parties and the remaining 46 loans (£8.4 billion) are securitized.

Our rankings are limited to MSMS' ability to manage performing and non-performing commercial mortgage loans in the U.K. The U.K. loans accounted for £31.0 billion corresponding to 58.1% (by GBV) of the total pan-European assets, up from £17.0 billion two years prior.

Table 1

Portfolio evolution					
	2018	2019	2020	2021	2022
Pan-European portfolio description					
Overall portfolio under management (GBV; bil. £)	28.2	32.4	34.0	38.9	53.8
% growth	47	15	5	14	38
Commercial mortgage loans--Pan-European portfolio under management					
Commercial primary servicing (GBV; bil. £)	27.1	32.1	33.2	38.1	53.4
% growth	59	18	3	15	40
Commercial special servicing (GBV; bil. £)	1.0	0.2	0.7	0.8	0.4
% growth	(42)	(77)	214	7	(44)
Pan-European portfolio description					
Overall portfolio under management (no. of cases)	406	517	498	577	1,109
% growth	(11)	27	(4)	16	92
Commercial--Pan-European portfolio under management					
Commercial primary servicing (no. of cases)	400	514	492	570	1,103
% growth	(10)	29	(4)	16	94
Commercial special servicing (no. of cases)	6	3	6	7	6
% growth	(54)	(50)	100	17	(14)
Commercial--Pan-European portfolio under management					
No. of properties	19,064	21,647	32,685	26,762	25,500
% growth	280	14	51	(18)	(5)
U.K. portfolio description					
Overall portfolio under assessment (GBV; bil. £)	17.0	17.5	17.4	21.0	31.0

Table 1

Portfolio evolution (cont.)					
	2018	2019	2020	2021	2022
% growth	(26)	3	(1)	21	48
Commercial mortgage loans--U.K. portfolio under assessment					
Commercial primary servicing (GBV; bil. £)	17.0	17.5	17.4	20.9	31.0
% growth	22	3	(1)	20	48
Commercial special servicing (GBV; bil. £)	0.0	0.0	0.0	0.1	0.0
% growth	(100)	0	0	0	0
U.K. portfolio description					
Overall portfolio under assessment (no. of cases)	256	235	242	299	798
% growth	(33)	(8)	3	24	167
Commercial--U.K. portfolio under assessment					
U.K. commercial mortgage primary portfolio (no. of properties)	256	235	242	298	798
% change	(32)	(8)	3	23	168
U.K. commercial mortgage special portfolio (no. of properties)	0	0	0	1	0
% change	(100)	0	0	0	0
Commercial--U.K. portfolio under assessment					
No. of properties	12,971	11,745	18,040	15,382	13,935
% change	204	(9)	54	(15)	(9)
U.K. staff					
Overall staff	79	108	113	122	146
Operative staff	41	45	37	48	79
Primary staff	25	32	35	45	76
Special staff	16	13	2	3	3
U.K. special servicing staff					
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(i) Percentage growth is from the prior year-end. If loans are primary and specially serviced by MSMS, they are only counted in the special portfolio. GBV--Gross book value. MSMS--Mount Street Mortgage Servicing Ltd.

MSMS management indicated that the company's goals during 2020 and 2021 were to grow its business lines to ensure long-term stability by diversifying product types. They confirmed that, despite the disruption generated by the COVID-19 pandemic, the company achieved its targets over this period. Executive leadership further indicated that MSMS achieved its 2022 goals and objectives in portfolio growth and exclusive new appointments.

Management And Organization

The management and organization subrankings are ABOVE AVERAGE for primary and special servicing.

Organizational structure, staff, and turnover

MSMS is led by its CEO, who is one of its co-founders and has over 30 years of industry experience, and its managing director, head of EMEA loan servicing who has over 20 years of industry experience and over six years of company

tenure.

The following functional areas in scope of our review report directly to the head of EMEA loan servicing:

- Primary servicing;
- Loan administration;
- Commercial mortgage-backed securities (CMBS) special servicing; and
- Investor reporting.

Furthermore, the following supporting functions report to the CEO:

- Legal and compliance;
- Finance, including portfolio management and human resources;
- IT; and
- U.S. operations.

As of December 2022, MSMS employed over 180 staff across Europe, the U.S., and Australia, with over 100 staff based in its London headquarters and 37 based in the Norwich, U.K. office, primarily focused on the U.K. servicing activity.

The U.K. servicing functions that are assessed as part of our ranking are a subset of the EMEA operations, consisting of a number of departments, including investor reporting, servicing operations dedicated to monitoring the Aviva portfolio in partnership with HSBC, primary and special servicing of CMBS deals, and primary servicing of balance sheet loans.

Major changes and developments to structure and staff since mid-2020 include the following:

- In conjunction with the onboarding of the loans serviced for Aviva, MSMS opened an office in Norwich, hired 24 staff previously employed by Aviva, and increased that staff to a total of 37 as of Dec. 31, 2022.
- In the fourth quarter of 2022, a manager with over 20 years of experience with Aviva was appointed to director and co-head of the Norwich office.
- In February 2022, MSG and MSMS moved away from a co-leadership model. One of the two former co-CEOs assumed the newly created role of executive chairman of both entities to focus on strategic group initiatives, and the other co-CEO became the sole CEO.
- The servicer enhanced its leadership group by creating and filling new executive roles with highly experienced managers.
- In June 2021, MSG established the O&C department within the legal and compliance department, with responsibility for reviewing, restructuring, and enhancing policies and procedures (P&Ps); reorganizing and improving the internal audit (IA) approach; and establishing a management process to identify and boost efficiencies, among other things.

MSMS leveraged its expertise in the commercial real estate debt market by expanding asset management services to other asset types, such as infrastructure, renewables, and transportation. Although these business lines are out of the

scope of our review, we take them into account only if they share synergies with the commercial mortgage loan operations under review.

Table 2

Staff evolution					
	2018	2019	2020	2021	2022
Staff at beginning of period	60	79	108	113	122
Number of joiners	32	41	24	25	51
Number of staff leaving voluntarily	8	11	16	15	24
Number of staff leaving not voluntarily	1	0	0	0	3
Number of expired contracts	0	0	0	0	0
Number of staff redundant	4	1	3	1	0
Staff at end of period	79	108	113	122	146
Turnover rate (%)	21.67	15.19	17.59	14.16	22.13

The total staff turnover rate increased to 22% in 2022, from 18% and 14% in 2020 and 2021, respectively. The staff turnover metrics are higher than other ranked peers. Additionally, the average tenure has risen somewhat among senior management, middle management, and primary servicing staff, but remains relatively low compared to other ranked peers (see tables 3 and 4).

Table 3

Experience						
Commercial						
	Experience					
	Senior management	Middle management	Staff primary servicing	Staff early arrears	Staff late arrears/litigation	Staff RE oversight(i)
2022	24	18	10	21	4	N/A
2021	24	17	10	21	3	15
2020	23	17	12	20	20	12
2019	22	17	14	N/A	13	9
2018	23	16	12	N/A	13	11
2017	24	20	15	N/A	18	10

(i)Property sales, valuation, etc. North America reported for staff RE oversight in 2022. RE--Real estate. N/A--Not applicable.

Table 4

Tenure						
Commercial						
	Tenure					
	Senior management	Middle management	Staff primary servicing	Staff early arrears	Staff late arrears/litigation	Staff RE oversight(i)
2022	8	2	3	5	1	N/A
2021	8	2	2	5	2	1
2020	7	2	2	4	4	2
2019	4	2	2	N/A	2	2

Table 4

Tenure (cont.)						
Commercial						
	Tenure					
	Senior management	Middle management	Staff primary servicing	Staff early arrears	Staff late arrears/litigation	Staff RE oversight(i)
2018	3	2	2	N/A	2	3
2017	3	1	2	N/A	3	2

(i)Property sales, valuation, etc. North America reported for staff RE oversight in 2022. RE--Real estate. N/A--Not applicable.

According to management, MSMS has created a structure that enables career development and retention despite its relatively flat servicing structure, which encourages movement to areas of the company outside of EMEA loan servicing. Additionally, MSMS has a formal succession plan in place for its entire senior leadership team.

Training

MSMS receives people management support from MSG. MSG's executive director in charge of human resources oversees the people management activities for MSMS, which includes training, performance monitoring, and recruitment and retention initiatives. Mandatory training delivery is overseen by the O&C department, and each servicing team is responsible for designing and delivering training offerings tailored to responsibilities and levels of experience.

MSMS continues to target 35 annual training hours for tenured staff, and it well exceeded that target during 2022 and 2021 (see table 5). Standard course trainings do not satisfy the company's needs due to the staff's broad experience. As a result, most of MSMS' continuing education largely involves attendance at seminars and conferences. Additionally, MSMS encourages staff to pursue further education on any related professional or degree qualification by providing both financial support and time off.

Table 5

Training hours for new joiners and existing staff											
Commercial											
	2018		2019		2020		2021		2022		
	Avg. hours	Induction	Avg. hours	Induction	Avg. hours	Induction	Avg. hours	Induction	Avg. hours	Induction	
Internal formal training	4	1	9	7	17	23	21	40	22	44	
External formal training	23	0	16	0	21	23	19	26	38	33	
On the job/coaching	4	1	10	6	9	36	24	84	22	106	
Online training	2	0	1	2	13	13	27	27	0	0	
Total	32	2	36	15	59	95	90	176	82	183	

New MSMS staff completed an average of 183 hours of induction training during 2022, including additional training courses required by compliance in areas such as whistleblowing, anti-money laundering, anti-bribery, and corruption. In our prior review, these required compliance courses were not counted as part of induction training because the

servicer reported them separately since all staff, regardless of tenure or experience, are expected to complete these courses annually.

Since the second quarter of 2022, MSMS also launched a training program to develop soft skills among the less-experienced staff, including formal coaching sessions with management and an emphasis on building business relationships.

Systems and technology

MSG's technology division includes the chief technology officer (CTO) and 10 direct reports.

Servicing system applications

MSMS uses CreditHub, a proprietary integrated solution for end-to-end loan servicing and management, which was launched in May 2018 as its system of record. Features of the loan management system include:

- A highly automated workflow;
- A single source of portfolio information, including all aspects of loan and asset management;
- A modular architecture that supports customization, which allows it to be flexible and extensible;
- Support for all aspects of loan servicing, including a step-by-step loan boarding workflow, waterfall calculations and payments, covenant compliance checks, and portfolio scenario analysis;
- Multilingual, multi-currency, and multi-asset capabilities, integrated credit risk mitigation and diary management systems, and bespoke workflow tools for each asset class;
- Support for bespoke automated investor reporting, with built-in arrears management and reconciliation, a customizable and fully auditable workflow engine, and a task and workflow management system for enhanced borrower compliance; and
- Hosting either on-premises at an external third-party-owned data center or in Microsoft Azure Cloud, depending on client preference.

MSMS utilizes a Microsoft Office platform network for its daily working environment. It outsources the IT support for all Microsoft-related software but owns the hardware. It does not have any servers because all the technology is cloud-based; although, clients may opt instead to host on-premises servers. Edge Technology Group (Edge), part of the Thrive group, provides MSMS with a privately hosted IT infrastructure across geographically dispersed data centers. The production facility is in London and provides core IT infrastructure services, back-up, archiving, and support. As Edge/Thrive is a global provider with System and Organization Controls (SOC) 1, SOC 2, SOC 3, and ISO27001 certifications, all infrastructure and service solutions are in-line with ISO 27001 standards. Services are fully replicated in real time to a second offsite facility in Bournemouth, England, which allows MSMS to restore any file within minutes.

Business continuity and disaster recovery

Disaster recovery (DR) and business continuity (BC) plans have been updated and tested on several occasions since our previous review. The company has established clear responsibilities and priorities that employees are expected to

follow once they are notified via text that the BC plan is in effect.

MSMS' entire staff were able to successfully work remotely starting in mid-March 2020 with the office only open to essential employees. Non-essential employees returned to the office in September 2021, but there is more flexibility to work remotely than before the COVID-19 pandemic. During the pandemic, all MSG and MSMS systems and processes continued to function without issues. If conditions prevent MSMS employees from accessing their main office, all staff can access the company systems and servers remotely and securely via a virtual private network.

In mid-2022 BC and DC tests were conducted to simulate an outage in the primary Edge data center in London. All systems were recovered in under two minutes, and service resumed in the secondary location in Bournemouth.

Cybersecurity

MSMS has the following cybersecurity controls in place:

- Symantec End Point Protection antivirus software is used.
- Cisco firewalls and Juniper protect against external intrusion, while eSentire offers active threat detection.
- CreditHub monitors and logs user access at regular intervals, and senior management is advised of any intrusions by unauthorized users so that an appropriate response can be enacted.
- Its system is fully hosted 24/7, and the company is advised on failures.

In October 2021, an executive director, information security position was created and filled by an outside hire with over 26 years of multisector global information security leadership experience. His mandate is to enhance MSG's information and cyber security management controls, paying particular attention to the recently revised ISO27002:2022 changes, while supporting business growth.

Third-party network penetration testing is performed annually, with no high-risk findings identified in the most recent test completed in November 2022.

MSMS circulates periodic e-mails to all employees reminding them not to open attachments nor act upon suspicious-looking emails. If received, they are instructed to forward them to Edge where the provider assesses them in an isolated environment. Unlike market best practices and peers, there are no formal training programs focused on phishing nor phishing simulations.

The servicer does not have a stand-alone cyber insurance policy, but management believes that this risk is covered within the overall professional indemnity policy.

Internal controls

MSMS' internal control framework includes P&Ps, internal audit (IA), compliance, and risk management. Internal control functions remain segregated from operations and are suitable, given the size of the company.

P&Ps

Separate P&Ps exist for all aspects of servicing processes, and the O&C team ensures that they are updated at least

annually by the relevant business head and approved by either the European or global head of servicing. A record of approvals is maintained along with version controls and tracked changes. The company stores its P&Ps on its shared drive and archives previous versions for audit purposes. Any changes are duly communicated to staff and are made available on the company intranet. New staff are provided with a copy upon joining and are required to sign an acknowledgement that they have read it.

Compliance and quality control

The compliance group consists of six employees who report directly to the MSG general counsel. There is no separate quality control team because each business head is responsible for testing to ensure compliance with the P&Ps.

The compliance group is responsible for:

- Reviewing all P&Ps to ensure new regulations are incorporated;
- Monitoring for financial crime and anti-money laundering;
- Assessing data protection soundness;
- Reviewing for anti-bribery and corruption along with conflicts management; and
- Providing training support on specific topics related to internal controls.

Risk management

In response to continued growth in the services provided to regulated financial institutions, in March 2022 MSMS implemented the following to strengthen its operational risk management function.

- An employee with 20 years of industry experience and nearly five years of company tenure was appointed as the RCO. This individual reports to the MSG chief financial officer.
- A comprehensive risk management framework and procedures policy, in conjunction with a corporate risk register, was developed to identify all major risks and assign the likelihood of occurrence, potential impact, and the respective controls to address these risks. (As a result, 10 potential risks in key operational processes were identified and addressed, according to management.)
- The risk management matrix and framework are reviewed periodically by the RCO and annually by the board of directors.

Internal and external audits

MSG transferred the IA function to the newly created O&C department, having formerly been the responsibility of the head of finance and MSG's chief operating officer. The IA function is the responsibility of the senior director, organization and controls.

Audits typically focus on a review of loan files, compliance with P&P, and adherence to best practice. All servicing areas will now be subject to a three-year audit cycle following a risk assessment and timetable that was completed by the O&C department during the second quarter of 2022.

Audit findings are categorized as either green (no detriment to the company), amber (potential detriment to the

company), or red (actual detriment to the company). In 2022, distinct IAs were performed in the following six areas: commercial real estate loan servicing; asset surveillance; loan administration; CMBS special servicing; investor reporting; and asset diligence. Two minor (green) findings are currently open and are in the process of being resolved, according to management. During the same year, the IA function also reviewed the areas of human resources, finance, accounting, tax, IT operations, and information security, with only minor findings from these audits.

Since 2017, MSG has engaged a globally established consulting firm that delivers deep expertise in IA to support its IA activities.

External audit activity includes those performed by clients as part of client-driven requirements (two of which were performed by clients in 2022). MSMS management has indicated that these reports are confidential but there were no findings with respect to servicing.

Table 6

Audit findings					
Commercial mortgages	2018	2019	2020	2021	2022
No. of audits completed during the SEAM period	N/A	N/A	0	0	6
No. of highest risk findings	0	1	1	0	0
Number of other findings	3	10	10	0	2
No. of resolved other findings	2	11	11	0	0
No. of open findings	1	0	0	0	2

SEAM--Servicer Evaluation Analytical Methodology. N/A--Not applicable.

Complaint management

There was one complaint reported in 2022 and it was documented in a log for follow up by the appropriate MSMS functional area, as required by the P&P.

Vendor management

MSMS has a wide range of preferred vendors, be it for legal, valuation, facility management, or asset management support. The procurement process prior to mandating a vendor or supplier is dependent on specific client requirements and might differ among transactions. It is the responsibility of the dedicated asset manager and dedicated legal team to manage the process and obtain approvals internally and externally as required.

Third-party providers such as valuers, solicitors, real estate advisors (e.g., receivers), and specialist loan restructuring advisors may be retained by the special servicing team following approval from the head of special servicing, and either the head of asset management or one of the managing partners.

All appointments are based on the following criteria: best fit, competitive fee proposals, ability to complete/respond in a timely manner, terms of applicable servicing standards, and conflict-of-interest clearance.

Insurance and legal proceedings

MSMS 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 were no material servicing-related pending litigation items.

Loan Administration - Primary And Special Servicing

The loan administration subrankings are ABOVE AVERAGE.

New-loan boarding

During 2022, MSMS boarded over 600 commercial mortgage loans, with nearly £14.0 billion in assets under management (AUM), that were related to U.K. assets. Of those loans, over 500 (with an AUM of over £8.0 billion) were boarded in partnership with HSBC on behalf of Aviva. As of Dec. 31, 2022, the number of commercial mortgage loans serviced for Aviva has grown to 531 with an AUM of over £10.8 billion. During 2021, MSMS boarded 59 commercial mortgage loans with an AUM of £6.8 billion related to U.K. assets. On average, it took 10 days to get the information into the system. Onboarding is completed by the loan administration team in Dublin, which boards the facility and cash flow data, and the agency team based in London, which boards the collateral and loan diaries. All primary servicing staff are cross-trained on loan boarding and provide assistance with onboarding the Aviva portfolio.

All onboarding is completed through the CreditHub system. An onboarding checklist, which captures key departmental responsibilities, is owned by the assigned agency team analyst and signed off by the assigned asset manager. For individual loans, the loan administration team manually inputs the loan financial data into the system and the agency team loads the collateral and tenancy details into the system. For larger loan portfolios, onboarding is typically completed by uploading a data tape of the portfolio data into CreditHub. A handover log is used to track the progress of each onboarded loan. Asset managers review this log and compare it weekly to what has been input into CreditHub during the loan onboarding process, and a portfolio manager's signoff is required to complete boarding onto the system.

MSMS sends a welcome letter within five days of loan boarding, providing the borrower or sponsor with a primary and back-up contact.

As part of the loan boarding process, MSMS ensures that all loan and collateral documentation is complete and available online. The appointed legal representatives retain original documents and MSMS uses Iron Mountain to store copies of them securely offsite. If the required documents are not received in accordance with the timeline in the onboarding checklist, a task is created in the task manager system and tracked until received, with the client made aware at regular intervals.

Payment processing

The loan administration team is responsible for payment processing. Payment amounts are calculated automatically in CreditHub and verified by a strict "maker/checker" process, whereby two individuals instruct payments, which then goes through a "four-eyes" authorization process before payments are made. Post-payment surveillance is also monitored, and data metrics are collected for reporting in the risk register and to ensure accuracy.

Payment methods vary, though 85% of payments (up from 75% during our previous review) are posted to accounts electronically via online bank portals, with balances made manually, as certain banks require physical signatures.

Weekly cash reconciliations are signed off by the head of loan administration. Bank accounts are also reconciled monthly or quarterly according to the underlying credit agreement.

Client management and investor reporting

Four employees comprise the investor relations team, including a dedicated head who is responsible for investor reporting.

MSMS aims to provide a high level of detail in its investor reporting, including covenant monitoring and market and loan-level commentaries. After agreeing on an initial reporting format, MSMS works closely with clients, and further tailors these reports to meet ongoing customer needs.

Reports are automatically produced by the servicer's proprietary system, which uses data extracts from the CreditHub servicing system. Reports can be accessed by investors and clients on the investor reporting website.

Primary servicing

Several teams, reporting to the head of EMEA loan servicing, support MSMS' primary servicing activities as follows:

- Primary servicing, responsible for loan management, is led by the head of EMEA primary servicing, an executive with over 20 years' experience in commercial real estate lending and loan servicing, who joined MSMS in April 2022.
- Investor relations and reporting is led by the head of EMEA investor relations and reporting, a manager with over 15 years of industry experience, who joined MSMS in late 2020.
- Loan administration is led by the head of EMEA loan administration, a manager with more than 10 years' experience in loan administration, asset management, banking operations, and risk management, who joined MSMS in May 2018.
- Asset surveillance provides pre- and post-closing services such as asset and loan underwriting, drafting of internal credit papers, and preparation of loan and security abstracts.

The above-referenced teams in the U.K. expanded to approximately 80 employees based in London and Norwich as of year-end 2022, compared with 15 London-based employees as of December 2019. This growth is primarily the result of portfolio growth and the mandate to service commercial mortgage loans for Aviva, which is supported by a dedicated team of 37 as of year-end 2022.

Approximately 40 of the U.K.-based employees are dedicated to asset management and are responsible for the 798 U.K. commercial mortgage loan portfolio, resulting in an asset per asset manager ratio of approximately 20 loans as of year-end 2022, up from 16 at our prior review in 2019.

MSMS utilizes a primary servicing committee, whereby asset managers can discuss specific events such as payment default and substitution or property disposal requests, with specific quorum requirements in place. Committees are held every two weeks but can be conducted more frequently ad-hoc as necessary. All committee decisions require a minimum quorum of three and a majority vote to carry a decision. Any asset manager can join the committee as an observer to gain insights on issues concerning a loan in their portfolio (and to further enhance their market knowledge). The primary servicing committee also reviews the watch list on a quarterly basis. MSMS adheres to the Commercial Real Estate Finance Council's Europe Watch list guidelines.

Each loan is also reviewed annually by the asset manager and presented at an annual review meeting with the primary

servicing committee to provide an update on loan performance. The primary servicing committee is also available at other times during the year whenever issues are identified and need to be addressed.

The primary servicing staff also receive legal advice and support from legal and compliance.

Special servicing

MSMS is the named special servicer on 10 U.K. loans with an AUM of approximately £3.0 billion as of year-end 2022. There are no active U.K. loans or real estate-owned properties in their special servicing portfolio as of 31 Dec. 2022.

The EMEA CMBS special servicing team also reports to the head of EMEA loan servicing and includes four staff based in London. The team is led by the head of EMEA special servicing and debt structuring who has approximately 20 years of industry experience. He joined MSMS in 2017 and is responsible for special servicing activity across the MSMS platform, including syndicated and securitized loans. The members of MSMS' special servicing team have extensive experience dealing with distressed commercial real estate loans, restructuring of CMBS, loan sales, loan enforcement and administration, and real estate-owned operating management and liquidation.

As of year-end 2022, the average number of specially serviced pan-European loans and properties per special servicing asset manager was two and approximately seven, respectively. Since our prior review, five specially serviced loans have been resolved, of which one was a U.K. securitized asset with an AUM of £63.9 million and collateralized by three properties.

Additionally, the special servicing team's responsibilities include due diligence and debt solution services along with providing services to various banks' internal credit departments, which increasingly seek assistance in foreseeing problems with their commercial real estate loans that are serviced by MSMS.

There are ad-hoc special servicing committees, which require a minimum quorum of three and a majority vote to carry a decision (i.e., similar to primary servicing). Any decision relating to litigation, standstill, enforcement, or restructuring proceedings are approved by the special servicing committee with a majority vote before implementation.

Although MSMS has demonstrated its ability to workout commercial mortgage loans, its track record has been limited due to a lack of opportunities. Nonetheless, the servicer sets a retention strategy to maintain special servicing expertise in-house so that it will be able to absorb new non-performing loans should the opportunity arise.

Financial Position

The financial position is SUFFICIENT.

Related Research

- Select Servicer List, July 18, 2023
- Servicer Category Descriptions Expanded And Revised, Feb. 28, 2022
- Servicer Evaluation Spotlight Report: Environmental, Social, And Governance Factors Have Consistently Powered Our Servicer Evaluation Rankings, Nov. 16, 2020

- Servicer Evaluation: Mount Street Mortgage Servicing Ltd., Aug. 20, 2020
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

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