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Introduction
Morningstar Credit Ratings, LLC ("Morningstar") performs operational risk assessments of residential mortgage servicers, consumer-finance servicers and certain vendors to servicers through its Operational Risk Assessment Group (The terms ‘residential mortgage servicer,’ ‘consumer-finance servicer’ and ‘vendors’ and certain other terms used herein are defined in Appendix 1.

As described below, an operational risk assessment is an opinion regarding the noncredit related risks associated with a servicer’s or vendor’s performance, or expected performance, of certain functions in finance transactions, with an emphasis on how such risks may impact investors, and on the effectiveness of the servicer’s and vendor’s protocols to mitigate such risks. Other information posted to Morningstar’s website at https://ratingagency.morningstar.com, including the "Operational Risk Assessment" link, should be considered and reviewed in conjunction with this document.

Morningstar assigns operational risk assessment rankings only for servicers and vendors that enter into a written engagement letter with Morningstar and pay Morningstar for this service. In addition to assessing servicers involved in transactions, we assess servicers that may not participate in securitized transactions, but rather service residential and consumer-finance loan portfolios on behalf of a parent company or other types of third-party investors. Accordingly, our assessments and the assigned rankings take into consideration a servicer’s abilities and duties acting in such capacities.


Section 1 - Operational Risk Assessments: Terminology and Definitions
Categories and Ranking Symbology
1. We assign operational risk assessment rankings in the categories of residential mortgage servicing, consumer-finance servicing, and vendors. The assigned ranking within each category also addresses the defined role as primary, master, or special servicer as applicable. A summary of the key attributes associated with each of these servicing roles is provided in Appendix 2.

The operational risk assessment symbology comprises: (a) a prefix of ‘MOR’ to indicate the issuer of the assessment; (b) a numerical scale of ‘1’ (highest) to ‘4’ (lowest); and (c) alpha characters to distinguish the category of residential or consumer-finance servicer or vendor to which the numerical scale value applies. Morningstar assigns operational risk assessment rankings to servicers based on this scale in the following three categories:

‘MOR RS1’ (highest) to ‘MOR RS4’ (lowest) for residential mortgage servicers (prime servicer, nonprime servicer, special servicer, subordinate lien servicer, master servicer or component servicers)
‘MOR CF1’ to ‘MOR CF4’ for consumer-finance servicers (such as for auto loans, student loans, credit cards)

‘MOR V1’ to ‘MOR V4’ for vendors that provide services the residential or consumer-finance loan-servicing industry

2. The numerical scale of ‘1’ to ‘4’ is defined as follows:
   ‘1’  Exceeds prudent loan servicing standards in key areas of risk
   ‘2’  Demonstrates proficiency in key areas of risk
   ‘3’  Demonstrates compliance with key areas of risk
   ‘4’  Demonstrates lack of compliance with one or more key areas of risk

3. A servicer or vendor assigned a ranking of at least ‘MOR3’ is deemed to comply with what we view as the minimum prudent loan-servicing standards and requirements for the servicer’s or vendor’s operational category and role. Some of the general characteristics associated with each ranking level are provided in Appendix 3.

Ranking Forecast Terminology
1. Morningstar characterizes each ranking with a forecast, which represents an opinion regarding the stability of the ranking or potential revision of the ranking during the next 12-month period.

2. Morningstar’s terminology and definitions for its ranking forecasts are as follows:
   ► Stable - the ranking will likely remain unchanged.
   ► Positive - the ranking either may remain constant or may be adjusted upward based on our view of pending operational initiatives or changes.
   ► Negative - the ranking may be adjusted downward based on our view of the servicer’s performance or operational capabilities.
   ► Evolving - the ranking may be adjusted upward, downward, or remain constant based on how certain actions by, or events involving, the servicer are concluded and can be fully assessed by us.

Section 2 - Operational Risk Assessments: Analysis and Considerations
Summary
1. We believe that servicing is a very important component in finance transactions and that a servicer can affect, positively or negatively, many aspects of transactional performance based on its abilities and practices to mitigate operational risk. Accordingly, an operational risk assessment offers an in-depth analysis of a servicer based on the functions the servicer is expected to perform relative to the characteristics and requirements of a finance transaction. This analysis focuses on non-credit related risks associated with the performance or expected performance of such functions and the effectiveness of the servicer’s protocols to mitigate operational risk with an emphasis on how such risk may impact certain investors.
2. We view our assessments as a value-added research product intended to provide interested parties with further insights and performance information about ranked servicers responsible for protecting their interests. An operational risk assessment is intended to give interested parties an independent opinion regarding the strengths, deficiencies, and overall attributes and capabilities of ranked servicers participating in securitizations and other finance transactions. Our assessment examines a servicer’s control practices, degree of operating efficiency, and overall track record and capabilities across a broad range of performance factors and within the context of the portfolio types and the company’s particular role as a primary servicer, master servicer, special servicer, or vendor.

3. An opinion about a servicer or vendor and the assignment of the corresponding assessment ranking reflect our views of the servicer relative to what we consider to be generally accepted industry best practices, comparative peer performance, and other industry data as applicable and available. The assessment takes into consideration the servicer’s stated practices, performance results, and operational characteristics based on a number of quantitative measures, such as staffing workloads, employee turnover, borrower consent processing time, reporting accuracy, and asset-recovery performance data if a special servicer. The assessment also considers certain qualitative factors, such as the composition and relative complexity of the serviced portfolio, the servicer’s degree of experience and responsiveness with third-party investor reporting, the effectiveness of its portfolio-management practices to monitor collateral performance, and, as applicable, how it handles payment advances and recoverability decisions within a residential mortgage-backed securities or asset-backed securities transaction. (The review and consideration of a servicer’s procedures, controls, and capabilities with regard to advances is not an opinion of creditworthiness or any other financial consideration.) Based on available information, we will consider whether the practices and performance results of a servicer, and particularly of a special servicer, reflect what is known as “the servicing standard,” which states that a servicer should make decisions and adhere to procedures that best align with the interests of the corresponding investor, or of the securitization trust. Based on this standard, special servicers are expected to pursue asset-resolution strategies to obtain the highest recovery for the trust overall on a net present value basis without deference to an affiliate’s investment position or any one RMBS or ABS investor class in the transaction.

4. An operational risk assessment of a servicer is based on our analysis of the information submitted by the servicer and from conducting a site visit meeting with the servicer’s management and other professional staff to obtain additional information about the servicer. In advance of the site visit, we provide the servicer with a meeting agenda of discussion topics that follows the scope of assessment described in this document. In advance of the site visit, we provide the servicer with an information request for materials to be delivered to us. The standard request items are attached as Appendix 4. Morningstar’s operational risk assessment analysts may request additional information or documentation from the servicer to support or clarify information or documentation previously obtained.

5. Morningstar assigns operational risk assessment rankings and forecasts through a committee whose voting members consist of analysts in Morningstar’s Operational Risk Assessment Group, and Morningstar credit ratings analysts when deemed necessary. Once we determine the final ranking, we publicly issue the operational risk assessment and assigned
ranking through a press release that provides the ranking, forecast, and a brief summary of the underlying analysis. We also publish an operational risk assessment report that provides the ranking, forecast and underlying analysis in greater detail. The full assessment report is not subscription-based and is made publicly available on our website, https://ratingagency.morningstar.com.

Certain Qualifications and Limitations
1. An operational risk assessment of a servicer is based in part on information it provided to Morningstar. All such information is Third-Party Information as defined in this document and for purposes of the Disclaimer and Terms of Use set forth herein.

2. As the economic environment, regulations, markets and transaction structures continue to change, Morningstar may revise any or all underlying analyses and considerations. An operational risk assessment ranking of a servicer is subject to revision or withdrawal at any time with or without notice.

3. An operational risk assessment ranking of a servicer, including any change or withdrawal of a ranking, is not and should not be considered or construed as a credit rating, outlook or credit rating action of any form. Morningstar, for its operational risk assessments, does not issue any form of credit rating, outlook or credit rating action with respect to the financial strength or creditworthiness of any ranked servicer or vendor.

4. We rely on the factual accuracy of the servicer’s information submission and the servicer’s own representations about its operations, practices, and business. We will compare the servicer’s stated practices against its written policies and procedures, report samples, auditors’ reports, and other sources as may be available. However, our assessment itself is not an audit. For example, we do not examine individual asset files, test procedures and technology applications, or conduct any other testing in that regard that may be construed as an audit. Accordingly, we do not examine a servicer’s pooling and servicing agreements, or other transactional and servicing agreements to test its compliance with the specific terms and conditions of such agreements.

Reassessment Process
1. Under the typical assessment engagement, we generally perform a servicer reassessment annually, and through substantially the same process used for an initial assessment.

2. Additionally, we may reassess a servicer at any time based on new factors or events of which we become aware and consider material and that we believe may negatively affect the servicer’s operations. Any revision to or withdrawal of an operational risk assessment ranking may occur as a result of the receipt of information obtained from the servicer or from sources other than the servicer. A servicer’s ranking may be immediately reduced to the lowest assessment level or withdrawn if we are informed that the servicer engaged in fraud, knowing misappropriation or misapplication of funds or any instance of impropriety or negligence, as Morningstar may determine. We may determine that the ranking, if not immediately withdrawn, should be placed on Alert status in such a case, or in other cases in which we
become aware of a pending event or situation expected to be of limited duration involving the servicer that we believe may negatively affect the servicer’s operational capabilities and performance. When we place a ranking on Alert status, we will concurrently issue a corresponding press release to indicate this change in the ranking’s status and that we are monitoring the pending event or situation through its resolution to determine if and when a ranking change may be required. The duration of a ranking’s placement on Alert status is generally for a period not exceeding 90 to 120 days by which time we will raise, lower, or affirm the ranking and assign a new forecast for the ranking, which we will communicate through a publicly issued press release. Alternatively, we may disclose the need to extend the ranking Alert for an additional period if the situation or event is not yet fully resolved.

Key Risk Areas: Operational Infrastructure and Portfolio Administration
1. An operational risk assessment of a servicer or vendor is based on various quantitative characteristics and, to a lesser degree, qualitative characteristics. Part of the analysis is a comparison of the performance data of the subject servicer or vendor to the prudent industry standards. Appendix 1 includes a definition of the Prudent Industry Standards. Appendix 3 includes a definition, and explanation of the roles of each type of servicer and vendor.

2. Servicer operational risk assessments consider the composition and complexity of a servicer’s portfolio and are intended to assess a servicer’s management experience and tenure, execution of business strategy, technology architecture, internal controls, default servicing and loss mitigation through an examination of three key risk areas:
   ▶ Operational Structure and Risk Management
   ▶ Performance Metrics
   ▶ Default Servicing

3. Vendor operational risk assessments consider and are intended to assess a vendor’s management experience and tenure, execution of business strategy, technology architecture, internal controls and loss mitigation through an examination of three key risk areas:
   ▶ Operational Structure and Risk Management
   ▶ Performance Metrics
   ▶ Performance Management

4. In our committee process, we assign individual scores to a set of factors within each of these two key areas of operational infrastructure and portfolio administration. The score given to each factor ranges from 1 (highest) to 4 (lowest) and has a corresponding percentage weight to determine the subscore for each key area. The overall ranking is determined by averaging the two subscores. Not every factor will apply in the same manner or to every servicer. In those cases, additional weight will be allocated to the factors that do apply, so that the weighting of all factors within each key area will still total 100%. Any servicer assigned a subscore of ‘4’ in any of the key areas, operational structure and risk management, performance metrics or default servicing and loss mitigation strategies/performance management, will receive a final overall operational risk assessment ranking of ‘MOR4’. The overall score and corresponding assigned ranking level are as follows:
The overall score and corresponding assigned ranking level are as follows:

<table>
<thead>
<tr>
<th>Overall Score</th>
<th>Assigned Servicer Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 to 1.25</td>
<td>MOR1</td>
</tr>
<tr>
<td>1.26 to 2.25</td>
<td>MOR2</td>
</tr>
<tr>
<td>2.26 to 3.25</td>
<td>MOR3</td>
</tr>
<tr>
<td>3.26 to 4.0</td>
<td>MOR4</td>
</tr>
</tbody>
</table>

3. As an example, a hypothetical residential mortgage special servicer receiving the subscores shown below would be ranked MOR RS2:

<table>
<thead>
<tr>
<th>Key Area</th>
<th>Subscore</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Infrastructure</td>
<td>1.6</td>
</tr>
<tr>
<td>Portfolio Administration</td>
<td>2.6</td>
</tr>
<tr>
<td>Overall Ranking</td>
<td>2.1 Average = Assigned ‘MOR CS2’</td>
</tr>
</tbody>
</table>

4. The committee assigns an overall operational risk assessment of 4 (lowest) to any servicer or vendor with a: (a) subscore of 4 in any one of the three key risk areas; and/or (b) proven commission(s) of fraud, misappropriation of funds or knowing misapplication of funds or any other instance of impropriety or gross negligence of which Morningstar has received actual notice.

The factors evaluated within each of these key areas are discussed below.

**Operational Structure and Risk Management**

1. Servicer and vendor operational risk assessments generally include the review, analysis and consideration of the following operational structure and risk-management factors:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit</td>
<td>35</td>
</tr>
<tr>
<td>Technology</td>
<td>25</td>
</tr>
<tr>
<td>Management and Staff</td>
<td>10</td>
</tr>
<tr>
<td>Organizational Structure and Business Strategy</td>
<td>10</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
</tr>
<tr>
<td>Organizational Turnover</td>
<td>5</td>
</tr>
<tr>
<td>Policies and Procedures</td>
<td>5</td>
</tr>
<tr>
<td>Corporate Insurance</td>
<td>5</td>
</tr>
</tbody>
</table>

2. The percentages set forth above represent the approximate weighting given to each such factor. Each of these factors is discussed in greater detail below.
Audit - We believe that a robust audit function promotes accountability and accuracy, which in turn, mitigates risk. We review the servicer’s audit and any related quality-assurance reports to assess how any exceptions to policies and procedures or regulatory and industry-mandated requirements are identified and corrected. We review the reports provided by the servicer’s or vendor’s internal and external auditors and the servicer’s or vendor’s quality-control programs, quality-assurance monitoring, call-monitoring feedback, any independent self-monitoring risk identification type programs, as well as Regulation AB, Uniform Single Attestation Program (USAP), the Standards for Attestation Engagements (SSAE 16), and any other applicable external audits, reviews or service organization control reports. To be ranked ‘MOR3’, we expect a servicer to have: (i) a formalized and independent audit function that delineates the scope and frequency of audits, the process and timing for corrective actions, and the personnel resources involved; and (ii) an audit process that examines cash and investor-reporting controls at least every 12 to 18 months. We consider an audit program to be independent if the audit function reporting lines exist outside of the loan-servicing organizational structure. We review audit reports for completeness, summary of findings, and management’s response, if applicable, and for whether they, at a minimum, address key risk areas such as cash collection and administration, investor remittances and reporting, and pool asset administration. We review that exceptions are identified and corrected within acceptable time frames, the process and timing of corrective action, the development of action plans, the timing of repeat audits and whether there is a well-documented escalation process for unresolved audit findings.

Technology - We determine whether the technology environment is commensurate with the size of the portfolio and is sufficiently scalable to meet short-term and long-term business strategy. The technology review encompasses the architecture, scalability and functionality of a technology platform. Morningstar analysts are familiar with major servicing technology provided by industry vendors and will review any significant proprietary technology that the servicer or vendor is utilizing. For example, the servicing technology should have a PSA matrix or summary to comply with any unique performance triggers contained in the PSAs to which the servicer is required to comply. Technology must be sufficiently flexible to handle all requisite investor-reporting and account-reconciliation tasks. Additionally, the technology should reside on scalable architecture sufficient to accommodate the servicer’s portfolio growth projections as defined in its business plan.

We examine the extent to which ancillary systems are integrated to share common data, the extent to which the servicer or vendor is optimizing the available functionality of its main systems, and the extent to which the servicer relies on stand-alone spreadsheets that can compromise data integrity and reduce efficiency. Additionally, many servicers have dedicated websites for their borrowers to access real-time information on their loans and for borrowers to review their compliance requirements. Servicers typically have a dedicated web portal for investors to access loan and portfolio-level performance reports. We generally find that a servicer ranked ‘MOR3’ or higher to have a borrower website with functionality commensurate with the servicer’s portfolio characteristics.

We expect servicers and vendors to employ technology that is commensurate with their portfolio types, reporting requirements and business functions. For example, we expect
servicers actively handling or expecting to handle RMBS or ABS portfolios to have systems able to perform the related loan and portfolio-level accounting and reporting, and able to track the myriad of loan-compliance covenants and performance triggers inherent in such portfolios. Additionally, servicers participating in the Home Affordable Modification Program and related loan-modification programs should have the requisite technology, certified by the appropriate government agency, to efficiently and accurately process loan-modification and short-sale requests. The servicing technology should adequately process borrower requests processed under the Servicemembers Civil Relief Act, 50 U.S.C. § 501 et seq.

An assessment of technology includes disaster-recovery and business-continuity plans. A viable disaster-recovery and business-resumption plan, tested annually at a minimum, is required to ensure that key business functions are not critically interrupted. Within our assessment of a servicer’s or vendor’s technology environment, we review the servicer’s or vendor’s data back-up protocols along with its disaster-recovery and business-continuity preparedness. We expect servicers and vendors to routinely back up all critical data daily, store the backed-up data at a secured location, and be able to efficiently and readily access that data. We believe a servicer’s or vendor’s data backup and disaster-recovery procedures should be documented and regularly tested so that key servicing tasks (payment processing, remittance processing, investor accounting and reporting, and other disbursement processing) can be completed accurately and with minimal or no delay. Additionally, we expect the servicer’s or vendor’s disaster-recovery plan to designate viable alternate sites for redundant technology hardware and the relocation of staff, unless the servicer’s or vendor’s organizational structure encompasses multiple sites with redundant key functions at each site. As a general guideline, we believe these alternate sites should reside on power grids separate from their primary locations and ideally be at least 25 miles away. We also review data security protocols to ensure that confidential borrower data is protected and that documents containing privileged data are properly housed and secure or disposed of in accordance with Prudent Industry Practices.

Management and Staff - We believe that effective management, solid professional experience, and a well-designed, stable organizational structure are essential components for successful servicing. In our view, experienced management and well-trained employees, combined with an investment in technology and sound operating controls, can directly contribute to the long-term viability of an organization and better servicing performance. We assess a servicer’s or vendor’s operational infrastructure by reviewing its history, managerial structure, professional experience and tenure, staff turnover, the scope and relevance of training programs, the extent and reasonableness of its business plan, and the effectiveness of the existing organizational structure to support current servicing assignments and those contemplated by the business plan.

The servicer’s or vendor’s employee tenure indicates a probable knowledge depth of generally accepted industry practices and its skill base for performing servicing activities. As a guideline, to attain a ranking of ‘MOR3’ we generally expect a servicer’s management-level employees to have at least 10 years of industry experience on average, and its professional staff to have at least five years of industry experience on average. Servicers or vendors with higher rankings
generally will have senior managers and key professionals with at least 15 years of industry experience on average. Along with staffing experience, we believe the turnover rate among employees can often be an indicative measure of organizational stability and can be a reflection of the general management at the servicer or vendor. We calculate a servicer’s or vendor’s turnover rate based on the total number of staff departures since the beginning of the period. Morningstar believes that high turnover is detrimental to performance efficiency and organizational effectiveness. We also consider voluntary versus involuntary turnover for both management and staff positions to analyze the operational prudence of any involuntary turnover that may be attributable to a portfolio sale, corporate merger, or other planned business action. Additionally, we analyze the employee attrition rate during the initial first 90 days of employment, when the employee is in skills-based training programs. We ask the servicer or vendor to explain what we may view as a high turnover rate, or an increase from a prior period, and ask how the servicer or vendor is addressing the issue. We also recognize that the same number of staff departures in a smaller servicing organization will have a greater impact on its turnover rate on a percentage basis than in a larger servicing organization. We expect that a servicer or a vendor with a ‘MOR3’ ranking to have a moderate amount of annualized staff turnover rate, but generally not exceeding 20%. We expect higher ranked servicers and vendors to have lower annualized staff turnover rates that are generally at or below 15%. Call-center turnover rates are generally higher within the servicing organization but generally should be 25% or lower for a ‘MOR3’ ranking. Lastly, we also consider the local and regional recruiting environment and the servicer’s or vendor’s access to the applicable talent pool within those regional job markets when assessing employee turnover.

**Organizational Structure and Business Strategy** - We review that a servicer’s or vendor’s operating infrastructure is sufficiently aligned with the company’s business strategy with respect to loan-portfolio volume, diversity of products and effective workflow methodologies. Risk-avoidance strategies should be embedded in the organizational structure, including a proper segregation of duties in key risk areas, to properly manage potential conflicts of interest, independent internal and external audit reviews, quality-control and self risk-assessment procedures, compliance, and a centralized vendor-management function.

Morningstar analysts review servicers and vendors with centralized and decentralized platforms, transactional versus functionally integrated, and flat versus broad reporting structures. Centralized platforms usually represent a potential for greater transactional efficiency and economies of scale, while decentralized platforms can be costly and may contain ineffective redundant processes. Depending on the servicing activity, a combination of transactional and functional departments usually results in lower per-loan servicing costs. For example, an optimally efficient servicing platform may have multiple servicing sites where certain functions, such as escrow administration, new loan boarding, and adjustable-rate loan processing may be centralized at one site. However, the servicer or vendor may have functions such as call-center activity, investor accounting and reporting, and payment processing in two or more servicing sites, thereby creating a virtual servicing environment that provides redundancy in key risk areas necessary to a viable disaster-recovery plan. Such a servicing platform also provides the servicer with access to multiple regional job markets and varied time zone business hours.
Training - We believe that management and employee training is an important indicator of a servicer’s or vendor’s commitment to providing the requisite foundation for a knowledgeable workforce aware of procedures, prudent loan-servicing practices, and regulatory requirements. We review the delivery methods and level of training, which may depend on numerous factors including size (based on number of employees) and the level of industry experience desirable in newly recruited employees. Smaller-size companies will often have less formal classroom-type instruction and rely on job mentoring, while a more experienced workforce may rely more on advanced curriculum. Many companies also provide soft-skills training, which develop management and leadership skills, improve communication techniques and negotiation skills, and enhance other nonservicing areas of training. Testing and recertification for the Fair Debt Collection Practices Act on an annual basis is encouraged to remain compliant with regulations as an organization. Training course enrollment, completion and certification should be monitored, reviewed and incorporated into employee performance reviews, where relevant. Attendance and participation at industry-sponsored conferences, while important, is not viewed as a major factor in satisfying educational goal requirements. Clear career path development is considered important to minimize turnover and maximize the employee knowledge base. While there is no exact formula for establishing a training staff, we have found that companies with fewer than 100 employees may have one person, typically the human resources manager, who serves as the training coordinator with functional assistance from the business unit’s subject-matter expert. At companies with more than 100 employees, a separate training position often is established, and duties are expanded to include a facilitator, instructor, and policy and procedure manual technical writer. As a general guideline, we believe a servicer ranked ‘MOR3’ will target 30 to 40 training hours per employee per year and substantially comply with that target. Additionally, larger companies should have training facilities, multimedia capability and varied training delivery methods.

Organizational Turnover - We review employee turnover, calculated as the total number of separations divided by the monthly number of employees at the end of each reporting period, as an indicative measure of the stability and general management expertise of a servicing organization. We believe that high turnover is detrimental to efficiency and profitability. Excessively low turnover can indicate other issues, such as lack of innovation, ineffective training programs and career-path initiatives, or a stagnant regional job market.

Policies and Procedures: - We believe that comprehensive loan-servicing policies and procedures provide a foundation for educating and cross-training staff and optimizing employee competence. We expect the servicer or vendor to maintain a policy and procedure manual(s), which includes instructional written statements of policies together with detailed step-by-step procedural directions on how to perform a particular task, supplemented with the requisite forms, exhibits and computer screen captures. Ideally, the policy and procedure manuals should be a reference tool for the tenured employee and a detailed guide for the novice. Morningstar analysts review the material for: (i) clarity of content, ease of understanding, and consistency of structure; (ii) completeness in describing an operation and/or procedure; and (iii) compliance with, and explanation of, regulatory requirements and prudent industry standards.
We review whether servicers and vendors have a robust quality-review function that identifies deviations from policies and procedures and ensures that corrective action is taken.

**Corporate Insurance** - We review a servicer’s adherence to industry standards for corporate insurance coverage related to directors and officers policies and errors and omissions policies. We expect servicers to meet the insurance requirements as set forth by any applicable government-sponsored enterprise seller/servicer guidelines. We also review the extent of servicing related litigation, pending regulatory inquiries or investigations and enforcement actions that potentially could have a negative impact on the servicer’s operations. We will collect insurance documentation from the servicer or vendor to provide proof of insurance that conforms to GSE guidelines.

**Performance Metrics**

1. Servicer and vendor operational risk assessments include review, analysis and consideration of the following performance metrics factors (where applicable):

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and Reporting</td>
<td>35</td>
</tr>
<tr>
<td>Customer/Subservicer Relationship</td>
<td>25</td>
</tr>
<tr>
<td>Management</td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>15</td>
</tr>
<tr>
<td>Payment Processing</td>
<td>10</td>
</tr>
<tr>
<td>Loan Boarding and Document Tracking</td>
<td>5</td>
</tr>
<tr>
<td>Property Insurance Monitoring</td>
<td>5</td>
</tr>
<tr>
<td>Real Estate Tax Monitoring</td>
<td>5</td>
</tr>
</tbody>
</table>

2. The percentages set forth above represent the approximate weighting given to each factor. Each of these factors is discussed serially below.

**Accounting and Reporting** - As part of the assessment of accounting and reporting performance metrics, we examine policies and practices for investor reporting; custodial account reconciliation and funds remitting; escrow administration; error correction policy, and other applicable functions relevant to the particular asset class serviced. We review the organizational structure and internal reporting lines to ensure that the requisite segregation of duties is in place. This includes investor reporting, remitting, and reconciling functions, including proper bank account titling, correct investor reporting formats, and appropriate controls and reconciliation approval and sign-off levels. For master servicers only, this may include management of waterfall calculations and investor distributions. There should be no overlap of duties between reporting, remitting and reconciling to mitigate a heightened risk of loss. That said, from a staffing capacity standpoint, it is prudent to have cross training in these functional areas, especially for small-size servicers and for those servicers establishing redundancy among multiple servicing sites for enhanced disaster-recovery capability. Reconciliation of investor bank accounts should be completed within Reg AB timelines and signed by both the preparer and the reviewer of the reconciliations. Wire remittance procedures and controls should include review, authorization and sign-off by personnel.
separate from individuals responsible for reconciliation and reporting. Any unreconciled accounting items should be resolved within 90 days. Servicers should have adequate procedures for reconciling unpaid principal balances to scheduled security balances. Investor reporting for securitized transactions should conform to applicable industry standards.

**Customer/Subservicer Relationship Management** - We review an array of call-center performance metrics, such as abandonment rate, speed of answer, handling time, talk time, voice response unit capture rate, dropped call percentage, etc., that indicate the level of service provided by a servicer or vendor to its borrowers or clients, and call-center turnover rates. Typically, a servicer ranked ‘MOR3’ or better will have a 60 second or better average speed of answer and an abandonment rate of five percent or less. We also measure call-center metrics from external vendors that servicers use to indicate whether the outsourcing relationship is productive as measured against the service-level agreements. In cases where an offshore call center is used or in instances where the servicer has a captive subsidiary located offshore, we compare performance accordingly. Master servicers should maintain and proactively follow documented subservicer compliance and audit policies and procedures to monitor subservicers’ adherence to their servicing agreements and duties. Consumer-finance servicers should administer credit line draws, requests for increases, and credit line suspensions and closures, in accordance with prudent loan-servicing industry standards and applicable state and federal laws and regulations.

**Advances** - We review a servicer’s procedures for corporate loan level advances. Servicers are often required to advance funds for delinquent principal and interest payments that are due, as well as taxes and insurance. Servicers should adhere to well-documented procedures for advancing on delinquent accounts and recovering advances at the appropriate juncture in the loan default cycle to avoid over advancing and interest shortfalls. Corporate policy should outline conditional tests and levels of required authorization for advances and describe the recovery process.

The review and consideration of a servicer’s procedures and controls in regard to advances is not a review of creditworthiness or any other financial consideration.

**Payment Processing** - We review a servicer's or vendor’s payment-processing controls and degree of efficiency to receive and post payments. We examine whether a servicer maintains a separation of duties among the staff for the core tasks involved, such as cash movement, updating system records, and reconciling system records with bank account activity. Also evaluated are the servicer’s cash controls and procedures for handling live checks, and its timely resolution of unprocessed items placed into suspense. As a guideline, we believe that payment clearing accounts should be balanced daily and that suspense items should be resolved within 90 days or less, and within 60 days or less as a best practice. We expect servicers to use a lockbox vendor to receive payments by check once a portfolio exceeds 30,000 loans, or to receive the majority of borrower payments through other direct methods (such as wire transfer or automated clearing house) to minimize the number of checks received on-site.
In our experience, we find that many servicers also have the on-site capability to scan and electronically deposit any checks they receive directly via Check 21 technology capabilities. While we believe that on-site check scanning and depositing is efficient, we expect the servicer to have controlled procedures over this process. For servicers ranked higher than ‘MOR3’, we expect payments processed through lockboxes to be automatically system-posted through a direct interface. In our experience, such servicers will typically have 90% or more of all payments electronically received and automatically system-posted. We review payment-processing controls and efficiencies. There must be appropriate processes for the movement of funds, timely reconciliation of payment clearing accounts and custodial account balances, and an explanation or resolution of suspense items and/or unidentified items. We review the servicer’s or vendor’s internal operating cash controls and procedures for handling live checks.

**Loan Boarding and Document Tracking** - Loan boarding involves establishing an accurate and complete loan record on the servicing system subsequent to the loan’s closing or transfer. The complete boarding process includes not only all required data inputs for payment processing, escrow accounts, and investor reporting, but also borrower and investor compliance triggers, and collateral performance requirements. We believe an effective boarding process includes controls for testing data accuracy of all system inputs, as well as prompt notifications to borrowers informing them of the loan transfer and instructing them about their compliance responsibilities. A servicer’s or vendor’s careful review of the corresponding PSAs and other transactional and servicing agreements is an integral part of a proactive loan-boarding function.

We expect servicers to complete the essential elements of the loan-boarding process within five days or less, so that the servicer can perform required cash management, track escrow accounts, and meet its immediate obligations. Servicers and vendors with rankings of ‘MOR3’ or higher will typically have experience and capabilities to board entire portfolios, and do so using automation for greater efficiency. We expect servicers and vendors ranked ‘MOR3’ or better to have loan origination and servicing systems electronically interfaced for loan-boarding efficiency. Having complete loan documentation, and especially all recorded and properly assigned closing documents, protects the lender’s rights and lien position.

Our assessment includes a review of the servicer’s stated practices for monitoring file completeness, vault security for items such as letters of credit, and for follow-up on missing documents. We expect master servicers, whose loans have subservicers, to board and then maintain core loan information and current balances on their systems, but do not expect master servicers necessarily to shadow post each monthly payment and disbursement. Loan boarding involves auditing the preliminary loan data prior to boarding and ensuring its accuracy. Once the data is properly “scrubbed,” the loan record is established on the servicing system after funding or transfer, including controls for testing correctness of all data fields and all notifications required to inform borrowers that their loans have been transferred. Welcome calls may be conducted to establish contact with the borrower, confirming basic loan information and reinforcing the terms of the mortgage.
Property Insurance Monitoring - We review the servicer’s or vendor’s procedures and documentation for: (i) monitoring property insurance coverage levels and carrier ratings, (ii) loss draft processing, (iii) escrow analysis and administration, and (iv) monitoring lender-placed (non-escrowed) insurance to ensure that insurance is obtained when borrowers fail to maintain appropriate coverage, as required under their loan documents, for perils such as fire, flood, terrorism, and loss of rents, and in regions of heightened risk, earthquake and windstorm damage. Lack of adequate in-force coverage places the loan collateral and ultimately the investor or securitization trust at risk. We expect servicers to centrally track all pertinent property insurance requirements and premium payments for every loan including nonescrowed loans, proactively obtain evidence of coverage renewals that indicates the appropriate loss payees, track carrier rating provisions, and monitor exceptions for timely resolution. Additionally, we expect servicers and vendors to have controlled procedures for loss draft processing and maintain a lender’s force-placed insurance policy for prompt activation and with a provision for retroactive coverage should the borrower fail to provide evidence of renewed and adequate coverage by the existing policy’s expiration date.

Given the volume of residential mortgage accounts, it is commonplace for servicers to use outsource vendors to assist in reviewing coverage adequacy, policy renewal tracking and procurement, as well as handling borrower communication via their own dedicated call center. We concur that this outsourcing can enhance a servicer’s insurance administration, but expect servicers and vendors to maintain full control over the information and centrally track activity through their own systems. Additionally, there should not be any revenue or fee-sharing arrangements that incentivize a servicer to secure lender-placed insurance without first exhausting all attempts to reach the borrower. Accordingly, our review will analyze not only the lender-placed insurance rate on a portfolio, but also the cancellation and annual renewal rates of lender-placed insurance on a portfolio to ensure that the servicer is adhering to prudent industry standards. In our experience, a prime servicer ranked ‘MOR3’ or better should have a lender-placed insurance rate on its portfolio of less than 1%, whereas a nonprime servicer ranked ‘MOR3’ or better should have a lender-placed insurance rate on its portfolio of less than 10%. Special servicers may have a forced-placed insurance rate substantially higher, depending on the level of distressed properties in the portfolio.

Real Estate Tax Monitoring - We review the effectiveness of a servicer’s stated real estate tax monitoring procedures for the entire portfolio, for escrow and nonescrowed loans. We believe that a servicer generally can gain efficiency and mitigate some risk by using a national tax-service vendor to monitor the entire portfolio, particularly for a larger, diverse loan portfolio. Even when a tax service is used, we expect servicers to centrally track all due dates and continually monitor the tax-payment status for all loans whether escrowed or not. For escrowed loans, we expect servicers to incur minimal penalties, if any, for late tax payments. Generally,
for a servicer ranked ‘MOR3’ or higher, we expect non-reimbursable tax penalties to average five cents per loan or lower. We also expect servicers to have a standardized process for conducting annual tax escrow analyses using their servicing systems that can accurately calculate revised escrow payments. In the case of geographically diverse portfolios, we believe it is a best practice for the tax escrow analysis to be based on the initial or major annual tax disbursement, as this usually represents the largest single escrow disbursement for each loan. For master servicers overseeing subservicers, we expect master servicers to review quarterly tax administration exception reports from their subservicers and monitor subservicers’ resolution of open items.

Performance Management (Vendors Only)
1. A vendor is an independent operating entity, unaffiliated with a servicer, that provides a service to the loan industry. Such a vendor may be a lender-placed insurance provider, a real estate tax service provider, a call-center provider, a property-maintenance firm, a borrower location service, a collateral repossession firm, or other service provider. Vendor operational risk assessments encompass a review of all of the factors outlined in Section E.1, under Operational Structure and Risk Management. A vendor operational risk assessment may include one or more of the metrics outlined in Section F.1(a-g) under Performance Metrics, depending on the services that a vendor is providing.

2. Our review of a vendor will focus on the vendor’s effectiveness comparable to the contractual standards, expectations, benchmarks and/or service-level parameters as delineated in the agreement for services between the vendor and servicer. We consider the effectiveness and responsiveness of the vendor to the servicer client, including the frequency of meetings, the reporting of performance metrics from vendor to servicer, telephony and fax capacity, and review of the vendor’s processes for subcontracting or outsourcing work to another vendor or contractor domestically or offshore.

Default Servicing and Loss-Mitigation Strategies (Servicers Only)
1. Servicer operational risk assessments generally include review, analysis and consideration of default servicing and loss-mitigation strategies. The approximate weighting given to each such factor is set forth below:
   ▶ Default Servicing 65%
   ▶ Loss-Mitigation Strategies 35%

2. Early and proactive attempts to obtain the reason for default and ascertain the borrower’s willingness and ability to pay are the key drivers in assessing the opportunity for homeownership retention versus an asset-based resolution. Servicers should use a variety of options, including loan modifications, repayment plans, principal forgiveness, short sales, deed-in-lieu of foreclosure, note sales and discounted payoffs. We are of the opinion that, when loan defaults occur, effective intervention by servicers can reduce a lender’s losses, and that, in some cases, permitting homeowners to remain in their homes contributes to effective loss mitigation. Therefore, the assessment of a servicer’s loss-mitigation performance focuses on the veracity and effectiveness of homeownership-retention strategies, such as loan
modifications and repayment plans, as well as asset-based strategies, such as deeds-in-lieu, short sales and loan sales, as well as foreclosure sales.

3. We consider the proactive nature of a servicer’s collection practices, for example, how soon after a loan becomes delinquent does the servicer contact with the borrower. We review each servicer for the management of potential conflicts of interest. In some instances, primary and special servicers are affiliated with the first-loss position investor class on the bonds (also referred to as the directing or controlling certificate holder or B-piece investor). We understand the motivations for a first-loss position investor also wanting to be the special servicer. However, we believe that this structure can pose a conflict of interest, given that the special servicer’s duty is to uphold “the servicing standard,” which means that the servicer should resolve assets based on the highest net present value recovery for the trust as a whole without deference to any single investor class. Accordingly, in the course of an RMBS servicer assessment, we consider this dynamic to the extent possible when reviewing the special servicers’ stated practices and performance results.

4. In certain situations, a servicer’s actions may add to interest shortfalls and increased losses in securitized transactions. For example, a servicer’s lump-sum recovery of advances may result in creating interest shortfalls rather than spreading the recovery over a period of time to avoid shorting interest payments to investors. Another example may be the over-advancing of principal and interest on delinquent loans. Part of the review process is a comparison of a servicer’s loss severities, interest shortfalls and charge-offs compared to the performance of its peers and seeking clarification where we find atypical variances. We also monitor resolution times for defaulted loans and recidivism rates for modified loans to identify servicers performing below industry performance metrics.

5. For residential mortgages, the servicer’s effectiveness in loss mitigation is viewed within the context of public policy and certain applicable government programs that are intended to allow delinquent borrowers to remain in their homes whenever feasible. Residential mortgage servicers should maintain a balance between their fiduciary duty of minimizing losses to investors while maximizing homeownership retention, two goals that are often mutually related. A servicer should demonstrate a commitment to developing effective, innovative loss-mitigation strategies that will satisfy investors, borrowers, and government agencies. This is evaluated by reviewing redefault rates, loan-modification success rates over time, and supplemental loss-mitigation data published by government agencies.

6. Experience has shown that servicers that proactively follow up on short-term delinquencies have lower long-term delinquencies and lower loss severities. Servicers should, at a minimum, generate late notices and conduct calling campaigns in compliance with investor requirements and industry best practices. Portfolio-delinquency levels and roll-rates for 30, 60, and 90-plus days should be in line with industry standards. Servicers using external counsel for foreclosure and bankruptcy cases should proactively monitor vendor relationships to ensure that service-level agreements are adhered to and that vendors are in compliance with state and federal guidelines. A servicer should, at a minimum, have a quality-review process in place when completing and filing bankruptcy proof-of-claim documentation with the court to ensure data...
accuracy, whether the proof of claim is prepared internally or prepared and/or filed by a vendor. Real estate owned management and sales processes must be tightly controlled. A servicer should have the requisite vendor-control mechanisms in place to ensure that REO inventory is turning at an acceptable rate, and that there is a viable marketing plan for each property. The servicer should ensure that all disposition results are in line with the organization and/or investor’s delegated authority and acceptable tolerances for loss severity, and document those results accordingly. Consumer-finance servicers should ensure that open and closed-end retail loans are properly classified and charged-off within the guidelines of the Federal Financial Institutions Examination Council. Also, for consumer-finance servicers, where the loan is secured by collateral, they should adhere to state guidelines for the repossession and remarketing of repossessed collateral.

Appendix 1 - Definitions of Certain Terms

As used herein, the following terms have the following meanings:

Consumer Finance means certain loans, leases or other extension of credit for any of the following personal, family or household needs: manufactured housing, time shares, automobile loans, automobile leases and student loans.

Consumer-Finance Servicers refers to the types of servicers and special servicers for consumer-finance products for which Morningstar will perform an operational risk assessment, which are any of the following: auto loans, credit cards, student loans, or nonperforming consumer debt. Appendix 2 includes a definition and explanation of the roles of each type of servicer.


Prudent Industry Standards means, collectively: (i) contractual obligations and performance standards generally recognized and accepted; (ii) industry standards; (iii) applicable standards under any applicable government-sponsored enterprise (GSE) Seller/Servicer Guide; and (iv) Morningstar’s internally-developed applicable performance standards, as selected by Morningstar, in its discretion, for any operational risk assessment(s). Certain of Morningstar’s internally developed applicable performance standards are described in this document. The highest standard within any set or subset of standards governs any conflict between or among such standards. Notwithstanding anything to the contrary, nothing herein or in any assessment, report or analysis published by Morningstar shall be construed or is intended to as an opinion or statement regarding compliance or non-compliance with any applicable law, rule or regulation.

PSA means a pooling and service agreement, or similar agreement, by which a servicer or vendor is bound.

Reg AB means and refers to Regulation AB, 17 C.F.R. § 229.1100 et seq.

RMBS means residential mortgage-backed securities.
Residential Mortgage means an extension of credit secured by residential real property constructed or intended to be constructed as an owner-occupied, primary or second home. This term does not include an extension of credit initially secured by rental/investment property.

Residential Mortgage Servicer(s) means only the types of servicers of residential mortgages for which Morningstar, at this time, will perform an operational risk assessment, which are only any of the following: prime, nonprime, special, subordinate, master, or component. Appendix 2 includes a definition, and explanation of the roles, of each type of servicer.

Servicer means a residential mortgage servicer or consumer-finance servicer.

Third-Party Information has the meaning ascribed thereto in the Disclaimer and Terms of Use set forth herein.

Vendor(s) means a third-party, independent entity (i.e., that is not affiliated with a servicer) that provides ancillary services to the residential mortgage and the consumer-finance industries at large, for example: customer contact call centers, collateral agents, lender-placed insurance providers, loss-mitigation specialists, technology and software providers, field-service providers, property-maintenance providers, tax-service providers, lockbox payment processing facilities, and professional borrower locating services. For purposes hereof, the term vendors means and includes only the foregoing, specifically enumerated types of vendors.

Appendix 2 - Defined Servicer Roles

Component Servicer: Component servicers are, generally, residential or consumer-finance servicers that provide ancillary services to the loan-servicing industry. These services may include, but are not limited to, loss mitigation, bankruptcy and foreclosure administration, call center and/or collection work, collateral repossessions, and real estate owned marketing and sales.

Master Servicer: Master servicers oversee the quality of information provided by subservicers to ensure accurate investor reporting and compliance with servicing agreements. Master servicers typically do not have direct borrower contact and instead monitor loans serviced by subservicers. Note that the PSAs of many securitizations use the term “master servicer” exclusively when referring to the servicer with advancing and reporting responsibilities. However, various industry and reporting media combine master servicing and primary servicing, referring to a “combined” servicing effort.

Nonconforming/Nonprime Servicer: A residential mortgage loan that is not underwritten to conforming loan standards.

Prime Servicer: A residential mortgage loan that conforms to GSE underwriting guidelines and/or certain FICO requirements.

Residential and Consumer-Finance Servicers: These servicers may perform all loan administration duties that involve direct borrower contact. These servicers also perform
investor reporting and may have advancing responsibilities. These types of servicers include: conforming servicers, nonconforming servicers, special servicers, subordinate lien servicers, reverse mortgage servicers, consumer-finance servicers and consumer-finance special servicers.

**Special Servicer:** Special servicers have expertise in handling nonperforming loans, real estate owned and covenant issues. A special servicer may assume the servicing of a loan that is, for example, 60 days or more delinquent or in foreclosure, bankruptcy or REO status. A special servicer may acquire nonperforming loans on a purchase or on a contractual subservicing basis.

**Subordinate Lien Servicer:** Subordinate lien servicers handle loans that are in a subordinate, or “secondary,” position, subject to a loan that is in first position and senior to the subordinate lien. Subordinate lien loans may be closed-end (a definite amortizing loan term) or open-ended, such as a home-equity line of credit.

**Appendix 3 - General Characteristics of Ranking Levels**

1. An operational risk assessment of ‘MOR RS/CF/V1’ is assigned to a servicer or vendor that in our opinion generally has the following performance attributes:
   - Pervasive risk-management practices throughout the organization, including multiple layers of audit, quality control, compliance, and risk assessment.
   - Fully documented policies and procedures throughout the operation.
   - No significant or repeat findings in any audits and financial-review documents.
   - Superior level of technology and automation tools commensurate with the business model, portfolio type, size and profile of assets under management.
   - A well-developed and routinely tested disaster-recovery and business-continuity plan.
   - Highly tenured and experienced management team and professional staff within an effectively organized operating structure.
   - A viable corporate business plan that reasonably meets market conditions, stated business expansion opportunities and their associated operational requirements.
   - Excellent level of operational performance efficiency and productivity consistently achieved across all servicing or vendor-specific functions.
   - The servicer’s or vendor’s loan-servicing performance and stated processes are largely at or above Morningstar’s criteria, industry best practices, and the servicer’s or vendor’s peers.
   - Highest degree of experience and consistently successful track record managing a diversified and complex portfolio for third-party investors.

2. An operational risk assessment of ‘MOR RS/CF/V2’ is assigned to a servicer or vendor that in our opinion generally has the following performance attributes:
   - Thorough risk-management methodologies embedded throughout the organization, including an independent and regularly scheduled audit function.
   - No significant or repeat findings in audits or financial-review documents. Findings of a lower risk nature have been remedied within a specified plan for corrective action.
   - Documented policies and procedures denoting proactive practices are in place for all core functions.
1. Well-developed technology and level of automation that is commensurate with the business model, portfolio type, size and credit profile of loans under management.
2. Effective disaster-recovery and business-continuity provisions embedded within the organizational structure are tested at least annually.
3. Management team and professional staff have a high degree of relevant industry experience.
4. The organizational structure generally addresses all current and planned needs in an overall efficient manner.
5. Servicer or vendor has a viable business plan that is reasonably executable given near-term market conditions.
6. Servicer or vendor generally is proficient and outperforms Morningstar’s criteria in most servicing areas.
7. Servicer has a track record with a generally diversified portfolio or has managed many complex assets for third-party investors.

3. An operational risk assessment of ‘MOR RS/CF/V3’ is assigned to a servicer or vendor that in our opinion generally has the following performance attributes:
   1. Servicer or vendor has an independently administered internal audit or equivalent quality-control function. The scope of the audit program includes all high-risk servicing areas (cash management, investor reporting and accounting, and technology security).
   2. Audit results do not identify any significant or repeat findings. To the extent that exceptions classified as high and medium risk or repeat exceptions were initially cited, the auditors have verified that such corrected findings have been or are being corrected. Findings of a low risk nature are remedied within the specified plan for corrective action.
   3. Policies and procedures are in place for core servicing or vendor functions.
   4. A satisfactory level of automation and technology tools commensurate with the portfolio type, size and credit profile of loans under management, although the technology environment may contain some dated architecture or workflow processing inefficiencies/redundancies.
   5. Satisfactory disaster-recovery and business-continuity provisions are in place with at least annual testing.
   6. The management team and professional staff have relevant industry experience, but may not have significant tenure with the servicer or vendor.
   7. Servicer or vendor has a business plan that is reasonably executable given near-term market conditions, but may face challenges to leverage opportunities and compete based on its current infrastructure.
   8. Servicer or vendor generally performs in accordance with Morningstar’s criteria, and the servicer’s and vendor’s performance capabilities are generally in line with what we view to be prudent industry practices.

4. An operational risk assessment of ‘MOR RS/CF/V4’ is assigned to a servicer or vendor that in our opinion generally has the following performance attributes:
   1. Servicer or vendor has underdeveloped or nonexistent risk methodologies, including a lack of a viable or independent audit plan.
There may be significant and pervasive/systemic or repeat findings over time on audit reports and financial-review documents.

- Policies and procedures are not documented for core servicing functions or may indicate control gaps.
- Servicer or vendor lacks a level of automation or lacks the technology tools to address the various characteristics of the servicer’s portfolio.
- The technology environment presents a heightened risk of loss due to archaic architecture or ineffective system development and implementation.
- Servicer or vendor has a nonexistent or underdeveloped disaster-recovery and business-continuity plan.
- Servicer or vendor has poor performance metrics across numerous servicing areas and underperforms when compared to Morningstar’s criteria and the servicer’s or vendor’s peers.
- Servicer or vendor generally engages in practices or has processes which are not compatible with prudent loan-servicing standards, and which present a high level of regulatory, legal or reputational risk.

Appendix 4 - Information Submission Requirements
(As applicable to the company’s operation type as a residential servicer, consumer-finance servicer or vendor)

- Historical servicing volumes, delinquency rates, and/or special-servicing portfolio data.
- Completed questionnaire addressing core processes and functions and current year portfolio data (Morningstar provided file format).
- All internal audit, quality-control, and similar type reports including management responses completed during past 12 to 24 months.
- Complete body of documented policy and procedure manuals, accompanying exhibits, including screen shots as available pertaining to servicing functions and processes.
- Summary of any pending servicing-related material lawsuits.
- Latest corporate and servicing operation business plan as available.
- Corporate-level and servicer-level organizational charts inclusive of all areas/functions covered in Morningstar’s assessment scope.
- Bios/resumes of senior management, key managers/supervisors, and other professional staff, as applicable.
- Summary of main technology applications and reporting tools, with descriptions of any proprietary applications used for servicing or special servicing.
- Copy of any documented data-backup routines and procedures, and corresponding disaster-recovery and related business-continuity plans.
- Summary of any formalized staff training function/processes.
- Master servicers: sample subservicer remittance report.
- Master servicers: sample subservicer tracking reports to monitor subservicer’s PSA compliance.
- Recent representative samples of a subservicer on-site and desktop audit, including any follow-up or results letters issued to subservicer.
- Special servicers: sample asset business plans (or initial asset-status reports) for both loan and REO assets.
- Special servicers: sample copy of any recurring asset and portfolio-level status reports.
- Special servicers: sample asset-resolution cases.
- Realized loss worksheet/supporting reconciliations related to any situations in past year in which senior bondholders incurred losses.

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