S&P Global Ratings

RatingsDirect®

Servicer Evaluation: Trimont Real Estate Advisors LLC

Servicer Analyst:
Marilyn D Cline, Farmers Branch (1) 972-367-3339; marilyn.cline@spglobal.com

Secondary Contact:
Adam J Dykstra, Columbia (1) 303-721-4368; adam.dykstra@spglobal.com

Analytical Manager:
Robert J Radziul, New York (1) 212-438-1051; robert.radziul@spglobal.com

Table Of Contents

Servicer Evaluation: Trimont Real Estate Advisors LLC

Ranking Overview

		Subrankings		
Servicing category	**Overall ranking**	**Management and organization**	**Loan administration**	**Outlook**
Commercial primary	STRONG	STRONG	STRONG	Stable
Construction loan administration	STRONG	STRONG	STRONG	Stable
Commercial special	STRONG	STRONG	STRONG	Stable

Financial position
SUFFICIENT

Rationale

S&P Global Ratings' rankings on Trimont Real Estate Advisors LLC (Trimont) as a commercial mortgage loan primary servicer, special servicer, and construction loan administration servicer are STRONG. On Oct. 7, 2020, we affirmed these rankings (see "Trimont Real Estate Advisors LLC Rankings Affirmed; Outlook Is Stable,"). The outlook on each ranking is stable.

Our rankings reflect Trimont's:

- Experienced senior management team;
- Solid training program with diversified learning opportunities;
- Lengthy and successful loan administration track record with extensive commercial real estate expertise;
- Solid control and governance framework, including proactive policies and procedures, internal/external audits, compliance, and prudent approval matrices;
- Solid leverage of technology systems to manage data and reports to clients; and
- Well-developed processes and specialization in construction asset management.

Since our prior review (see"Servicer Evaluation: Trimont Real Estate Advisors LLC," published April 19, 2019), the following changes and/or developments have occurred:

- The primary and special servicing portfolios have increased by 29.5% and 1,256%, respectively. Growth in special servicing has been largely driven by loans where borrowers are facing challenges resulting from COVID-19.
- Trimont has been engaged by a government-sponsored entity (GSE) lender to provide asset management for designated real estate owned (REO).Although the portfolio has only three assets, the engagement provides a source of future portfolio growth.
- The construction portfolio has increased to $63.0 billion in June 2020 from $47.3 billion in December 2018 due to increased activity and increased loan size.

- In September 2019, the senior managing director of asset management and advisory for the Americas was promoted to president of the Americas, while keeping his current duties.
- In June 2019, the chief human resources officer was eliminated, the duties of which were consolidated under the chief financial officer; the company's director of human resources remains in place.
- In June 2020, the compliance director left the company and was replaced by a new hire with extensive industry experience.
- In March 2019, a managing director of operational services was hired with extensive industry experience. She handles various servicing departments, including new loan set up, loan servicing, tax and insurance compliance, accounting and reporting, payoffs, and quality control.
- In 2019 a data governance committee, made up of one representative from each data governance domain, was formed to ensure data consistency and quality throughout the organization.
- In April 2020, Trimont opened a Kansas City, Mo. office with 12 people to handle performing and nonperforming loans across the U.S.
- Multiple technology investments occurred, including upgrading the servicing system to McCracken Strategy ("Strategy") version 19D from version 19, along with multiple security enhancements across systems.
- In 2019, Trimont began using Backshop--a system that is integrated with Strategy--for asset management functions.
- Trimont completed implementation of Lucro artificial technology for enhanced and expedited data entry of operating statements and is working to include rent rolls.
- During 2019, launched Triview 2.0, a proprietary system adding deal-level analytics to the company's investor and management reports.

The outlook on each ranking is stable. Like most servicers, we believe the company will continue to face challenges in 2020 arising from the economic difficulties faced by borrowers emanating from the COVID-19 pandemic, particularly following a benign default environment. Although management believed the company was adequately staffed to handle the increased special servicing volume without adding a high volume of external resources, they nonetheless brought in one new hire during the review period and also reallocated some underwriting staff with special servicing experience to assist with the aforementioned growth in specially serviced assets. At the same time, they reallocated certain staff members from special servicing to the primary servicing group, maintaining a flat special servicing headcount since the onset of COVID-19. Further, given Trimont's track record of managing a substantial loan portfolio through multiple economic cycles, we expect it will remain a highly effective servicer for all of the portfolios it services.

In addition to conducting a remote site meeting with servicing management (due to COVID-19 concerns), our review includes current and historical Servicer Evaluation Analytical Methodology data through June 30, 2020, as well as other supporting documentation provided by the company.

Profile

Servicer Profile	
Servicer name	Trimont Real Estate Advisors LLC
Primary servicing location	Atlanta, Ga.; Dallas, Texas; Kansas City, Mo.

Servicer Profile (cont.)	
Parent holding company	Trimont Global Real Estate Advisors LLC
Loan servicing system	McCracken Strategy v. 19D

Trimont is a privately owned commercial real estate asset management company with more than 30 years of operating history. It provides a full range of services to real estate lenders and investors on both debt and equity investments. Trimont considers its operating model to deliver customized high-touch mortgage servicing solutions rather than high-volume standardized products. The company's portfolio is varied, including mezzanine fund assets, construction loan administration, primary servicing, special servicing, and real estate equity fund assets, as well as REO assets.

The company is 90.1% owned by funds controlled by Värde Partners. The original founding partners (none of whom are part of current management) sold their majority control in 2015 and maintain indirect ownership of the remaining 9.9% of the company. Värde is a global alternative investment firm that invests across a broad array of geographies, segments, and asset types, including real estate, corporate credit, residential mortgages, specialty finance, transportation, and infrastructure. Trimont integrated the former servicing operations of Värde-controlled First City Financial Corp. (FCFC) and its approximately 1,500 assets totaling approximately $1 billion in unpaid principal balance (UPB) following the acquisition. However, as of June 30, 2020, with those loans continuing to run off, only 45 assets with approximately $34.6 million of UPB from the FCFC integration remain.

As of June 30, 2020, Trimont reported 161 employees dedicated to servicing functions--a 26.8% increase from Dec. 31, 2018 (i.e., our prior review). The largest operations are in the Atlanta office, followed by Dallas, Kansas City, Los Angeles, and New York. Its parent company also owns foreign subsidiaries with operations in London and Amsterdam, which generally handle assets with collateral located in the European Union, and Sydney, which handles several global and local clients. While the company serves a diversified client base of 240 institutions around the world, this review and report is limited to operations and assets in the U.S. and U.S. territories.

Future growth opportunities in special servicing have included the company being chosen as one of two servicers by a GSE lender to provide asset management services for designated REO. While this only includes three loans with a UPB of $45 million, the portfolio is likely to grow if current economic conditions persist. Trimont was also chosen as a replacement special servicer on a $395 million single-asset single-borrower (SASB) deal. (See table 1.)

Table 1

Total Servicing Portfolio

	UPB (mil. $)	YOY change (%)(i)	No. of assets	YOY change (%)(i)	No. of staff	YOY change (%)(i)
Primary servicing(ii)						
Jun. 30, 2020	68,168.8	3.3	2,333	(1.1)	143	22.2
Dec. 31, 2019	65,970.1	25.3	2,358	5.4	117	3.5
Dec. 31, 2018	52,646.9	16.4	2,238	0.7	113	37.8
Dec. 31, 2017	45,237.2	23.0	2,222	(10.4)	82	(1.2)
Dec. 31, 2016	36,765.0		2,480		83	
Special servicing						
Jun. 30, 2020	2,772.1	1468.0	113	109.3	18	0.0

Table 1

Total Servicing Portfolio (cont.)						
	UPB (mil. $)	**YOY change (%)(i)**	**No. of assets**	**YOY change (%)(i)**	**No. of staff**	**YOY change (%)(i)**
Dec. 31, 2019	176.8	(13.5)	54	(37.9)	18	(18.2)
Dec. 31, 2018	204.4	(30.5)	87	(73.3)	22	(21.4)
Dec. 31, 2017	294.2	(43.3)	326	(57.5)	28	(22.2)
Dec. 31, 2016	518.5		767		36	

(i)As of June 30, 2020. (ii)Primary includes construction loans and the First City Financial Corp. portfolio effective from Dec. 31, 2016. YOY change based on the prior year-end. YOY--Year-over-year. UPB--Unpaid principal balance.

Management And Organization

The management and organization subrankings for primary, special, and construction loan servicing are STRONG.

Organizational structure, staff, and turnover

Trimont's management team and staff exhibit adequate levels of industry experience and similar tenure levels when compared to their peers (see table 2). During the first half of 2020, turnover rates for the primary servicing and special servicing staffs were 17% and 67%, respectively. Turnover for primary and special servicing was greater than for peers. However, this turnover is largely due to individuals being reclassified by department and is not due to company departures. Adjusted actual turnover, accounting for reclassification of roles between primary and special servicing, is 10% and 6% for primary and special servicing, respectively, which is in line with peers. We consider this turnover manageable, considering the average experience and tenure levels have generally stayed consistent since our last review.

Table 2

Years of Industry Experience/Company Tenure(i)								
	Senior managers		**Middle managers**		**Asset managers**		**Staff**	
	Industry experience	**Company tenure**	**Industry experience**	**Company tenure**	**Industry experience**	**Company tenure**	**Industry experience**	**Company tenure**
Primary	23	10	19	13	N/A	N/A	10	4
Special	19	19	26	6	27	7	14	4

(i)As of June 30, 2020. N/A--Not applicable.

The company aligns its asset management business into three separate units:

- Performing Asset Management. The group is led by a managing director who joined Trimont in 2003 and has over 22 years of industry experience. The group monitors loans and the performance of their collateral, credit, and asset management. The group also handles loan servicing, cash flow management, and investment performance analytics.
- Non-Performing Asset Management. The group is led by a managing director who joined Trimont in 2001 and has 19 years of experience. The group handles REO and nonperforming loan business plan development and execution. The group also handles commercial mortgage-backed securities (CMBS) and collateralized loan obligation (CLO) special servicing.
- Investment Advisory Services. The group is led by two managing directors who have been with Trimont since 2017

and 2019, respectively--each with extensive experience in real estate and financial services. The group handles the initial due diligence for debt and equity transactions and ongoing asset surveillance, credit and risk analytics, and asset evaluations.

Each unit reports up to experienced senior leadership and is surrounded by other support functions such as accounting, information technology and human resources.

Training

Trimont provides its management and staff with a diversified array of ongoing formal internal and external training programs, as well as on-the-job training. Notable features include the following:

- The company has a dedicated full-time training manager who meets with service line managers to determine overall goals for staff and utilizes internal and external subject matter experts for training.
- Trimont targets 40 hours training per employee annually, including eight required annual courses in areas that include information privacy and security, anti-money laundering and foreign corrupt business practices.
- The company averaged 51 and 49 hours per employee for primary and special servicing in 2019, respectively, exceeding their annual goal. Through June 30, 2020, employees in primary and special servicing averaged 18 and 17 hours of training, respectively.
- Trimont's Learning Management System (LMS), houses over 800 e-learning courses from Microsoft Office applications to soft skills and leadership development, and tracks employee training hours.
- Reports are generated monthly from the LMS system and delivered to each manager, who monitors that their team is on track to complete relevant and required training.
- Annual training on code of conduct and ethics is covered in the employee handbook and each employee verifies that they have received and read the employee handbook by acknowledging receipt in the LMS annually.
- Trimont continues to improve courses through Trimont University (TU). The certification curriculum for TU continues to evolve through live classroom lectures and online materials, which are co-developed with New York University (NYU) and available to all employees. TU focuses on technical and industry knowledge, as well as professional and personal development.
- A Trimont partnership with NYU Schack Institute of Real Estate (Schack) offers a three-semester real estate program, consisting of multiple online courses along with in-person speakers. Since its inception, 48 Trimont employees have attended and obtained certifications through Schack.

Systems and technology

We believe Trimont has the necessary technology to meet its primary, special, and construction servicing requirements. The company continues to focus on technology augmentation and enhancement projects to further streamline and automate servicing tasks using a combination of proprietary and third-party systems via Strategy and Backshop.

Trimont has well-designed data backup routines and disaster recovery preparedness. In 2019, they created a data governance committee to ensure data quality and consistency of data throughout the organization. This process includes various data governance domains with assigned business owners. The committee is made up of one representative from each data governance domain. It assesses the cross-functional impact of a data request to ensure a change in one domain doesn't negatively affect another.

Servicing system applications

Trimont utilizes the following servicing system and technology applications:

- McCracken Strategy servicing platform, which it upgraded to version 19D from version 19 in February 2020, adding cash enhancements, same day wires, and remittances.
- Backshop is used for all asset management functions, covenant tracking, and special servicing. The Backshop system is being further integrated in a phased rollout starting with covenant tracking (completed first-quarter 2020), followed by compliance/consent workflow and integration with Strategy, with a targeted completion date of year-end 2020.
- Cash Mate, a proprietary platform, handles treasury functions. This system currently has an interface with Trimont's bank and Strategy systems. The company is converting this functionality to the Strategy platform as part of its program to replace legacy proprietary systems with third-party systems, and migrating to a cloud environment. This is scheduled to be completed by year-end 2020.
- Application Portal is a proprietary application that aggregates critical inputs from different workflow screens into a single input. This allows for viewing and reporting solutions for special servicing asset management and allows asset managers to enter notes into the system.
- Documentum software is utilized for its enterprise content management, imaging, and workflow applications. The Documentum repository is integrated with Trimont's portals to allow clients access to pertinent documents. Trimont also uses Documentum to process, reconcile, and store incoming checks and wires electronically.
- DOMO is a software as a service (SaaS) business intelligence and analytics system that can automate data across multiple source platforms and is linked to Trimont's data warehouse. It helps clients collaborate with the company to personalize their visual reports.
- Luco artificial intelligence (AI) was implemented in 2019 for enhanced and expedited data entry for operating statements, and the company continues to work next on the expansion of its AI technology to include rent rolls.
- Triview is used as a cloud-based portfolio analytics tool for clients. Triview 2.0, launched in Dec. 2019, is based on the Microsoft Azure platform and offers both asset-level and portfolio-level analytics; it is expected to be fully integrated by the end of 2020.
- Trimont utilizes its centralized data warehouse to assimilate data from various systems--including Strategy, Backshop, Documentum, and Lucro--into one central repository via application programming interfaces that drive client reporting, data feeds, and Triview.
- The Vision system holds the construction workflow processes to log and mark completion of draw requests, allowing for monitoring/analysis of the process and reporting of draw-related metrics. This process will migrate to a Strategy portal process by year-end 2020.
- Process Manager is used for new asset boarding, payoff, new vendor setup, noncash processing, and extending consent tracking.
- Argus is used for underwriting, along with valuations and cash flow modeling.
- Special servicing uses ASR, a custom forms-based .NET application embedded with structured query language, for

cash flow calculations, reports, and presentations.

Business continuity and disaster recovery

The company has the following continuity and disaster recovery plans/measures in place:

- Trimont has a documented information security plan that governs personnel security matters, facilities, assets, information, and business operations. Internal audits test compliance of the security plan annually.
- The company maintains comprehensive disaster recovery and business continuity procedures, and targets resumption of cash processing and investor reporting within four hours of any disruption event.
- The company's business continuity and disaster recovery plans are tested annually. The most recent test occurred in March 2020, with no material issues noted.
- The company recently implemented its plan due to the COVID-19 pandemic. Management reported that there were no disruptions to the company's operations or data facilities. At the same time, additional virtual private network licenses were obtained to ensure the entire workforce could connect remotely, and three terminal servers added to cover the increased load.
- Trimont has a 24-physical seat offsite disaster recovery location provided through a third party at a facility located in Smyrna, Ga. The facility is only 15 miles from its Atlanta office, but is on a separate power sub-station.
- Trimont has a state-of-the-art co-location data center in North Atlanta, Ga. It is also only 15 miles away from the office headquarters and on a separate power sub-station. The location employs biometric access, redundant connectivity, power, and cooling. This same vendor also owns data centers in Europe and Asia-Pacific, thus providing potential additional options for data management.
- Trimont also has an offsite data recovery center located in Dallas, with nightly backups.

Cybersecurity

Trimont has extensive security processes and controls for protecting private information and preventing cyberattacks, which include security procedures for personal information and vendor information security management. Key features include the following:

- Trimont has annual independent third-party testing for data penetration issues, which was last completed in December 2019, with rotating vendors being used.
- Trimont sends employees quarterly phishing emails to test awareness. The company partners with a vendor that monitors and responds to threats and vulnerabilities, alerting management of these events.
- All systems are actively refreshed and upgraded to meet increasing software/user requirements and to maintain active vendor support warranties.
- IT proactively upgrades and patches all third-party software applications to minimize vulnerabilities, maintain support, and offer additional product functionalities.
- IT utilizes various technologies across the platform that monitor and protect the operating environment, such as checkpoint firewalls, intrusion detection and prevention systems, Sophos Safeguard and endpoint protection solutions, Mimecast email and URL filtering, multifactor authentication, and "What's Up" system monitoring.

- The company has internal legal counsel with cybersecurity experience, and a stand-alone cyber insurance policy.

Internal controls

Trimont maintains a strong internal control environment. It manages risk through its policies and procedures (P&Ps), quality control and compliance, and a robust audit regime.

Policies and procedures

- Trimont has well-documented centrally managed P&Ps, which are accessed through the company's intranet. Its P&Ps contain accompanying exhibits that govern primary servicing, special servicing, and construction loan administration.
- All new policies and changes to existing policies are reviewed by the department heads and approved by management.
- Trimont reviews all its servicing policies annually, with assigned managers responsible for updating P&Ps.
- The company P&Ps serve as a key input to the review scope for internal audit.

Compliance and quality control

The company has ongoing quality control and compliance audits that examine a range of functions and servicing processes throughout the year. The compliance function is independent of the business and is housed within the legal department under the oversight of the chief legal officer.

Trimont's manager level review is the first line of defense for compliance and quality control issues. The second line of defense consists of a full-time compliance director and an experienced auditor. In 2019, the compliance group reviewed 14 securitizations (CLO and CMBS) for which Trimont acts as primary, subservicer, or special servicer. No issues were found during the reviews.

Internal and external audits

Trimont has a thorough independent internal audit program, with the audit team reporting directly to the chief financial officer. This serves as the company's third line of defense. A risk assessment is conducted with senior leadership to determine the audit's focus. In 2019, the internal audit scope included reviews of: lockbox sweeps, insurance coverage, physical asset management, movement of funds, and property taxes. Any minor issues found have been addressed by management. The internal audit plans for 2020 include: lock box sweeps, loan billing, movement of funds, cash management, property and liability insurance, and the management of the audit process.

The company undergoes multiple third-party audits and reviews each year, including Regulation AB, Uniform Single Audit Program (USAP), and SOC I Type II. The year-end 2019 audits did not reveal any material findings. Trimont is also subject to periodic reviews and audits from clients.

Vendor management

We believe Trimont has solid processes and procedures for managing its vendors. Highlights include the following:

- The vendor management process, including additions to an approved vendor list, is managed by the legal department. Feedback on vendors is collected from the asset managers who have experience with specific vendors.

- Before any vendor is added to the approved list, it undergoes a rigid approval process that includes a review of its work, financial condition, insurance coverage, risk and protection protocols for private and personal data, and a review of the vendor's SOC audits, if applicable.
- Current vendors deemed critical to the organization are re-reviewed on an annual basis for the above checkpoints, including their disaster recovery process.
- Subject to client requirements, vendors are selected for engagements from this list based on the type of work they are performing and their geographic location.
- Vendor engagements require senior management approval.

Insurance and legal proceedings

Trimont has stated 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, the company reported there were no pending material servicing-related legal matters.

Loan Administration--Primary Servicing

The loan administration subranking for primary servicing is STRONG.

Loan administration is handled by the managing director (MD) of operational services, who has been with the company since January 2019 and has extensive experience in a similar role with a competitor. The MD has eight associate directors and directors reporting to her. Trimont realigned this group by dividing servicing into two teams, with designated team leaders providing management oversight. This enabled the groups to have a team designated for payment processing and a separate team for outbound cash processing, which allows for additional oversight and review with daily interactions.

As of June 30, 2020, Trimont's loan servicing portfolio had grown to $68.2 billion (including approximately $40.4 billion in construction loans), with 2,333 loans and 2,722 collateral properties. The average loan size has increased 24% from our last report, although total loans serviced have been nominally reduced as a result of servicing fewer small-balance legacy FCFC loans.

As of the same date, the company reported a 12.8% delinquency rate, which is much higher than the 6.1% and 3.9% reported at year-end 2019 and 2018 (see table 3). The majority of the increase in delinquency is attributable to the COVID-19 pandemic, as loans that are delinquent but have not yet completed the forbearance paperwork/approval are reported as delinquent. Further, Trimont services a significant amount of higher-leverage loans from its investment fund clients, where prior delinquencies have run slightly higher than what we have observed with servicers who primarily deal with GSE or CMBS loans.

Table 3

Primary Servicing Portfolio	Jun. 30, 2020		Dec. 31, 2019		Dec. 31, 2018		Dec. 31, 2017		Dec. 31, 2016	
	UPB (mil. $)	No.	UPB (mil. $)	No.	UPB (mil. $)	No.	UPB (mil. $)	No.	UPB (mil. $)	No.
Primary loans	68,168.8	2,333	65,970.1	2,358	52,646.9	2,238	45,237.2	2,222	36,765.0	2,480
Average loan size	29.2	--	28.0	--	23.5	--	20.4	--	14.8	--
Delinquent (%)										
30 days	3.8		3.4		2.0		3.2		1.7	
60 days	5.0		0.6		0.3		0.8		0.6	
90+ days	4.0		2.0		1.5		1.1		1.2	
Total	12.8		6.1		3.9		5.1		3.4	

Totals may not add due to rounding. UPB--Unpaid principal balance.

The loan portfolio is highly diverse and contains a variety of property types and geographic locations, albeit with higher exposure to New York (28.7% of UPB) and California (19.1% of UPB). The major concentrations of property types include multifamily (23.8% of UPB), office (22.3% of UPB), and mixed use (21.2% of UPB) (see table 4). Trimont's major investor types include real estate investment trusts and credit company/investment funds (52% based on UPB), and banks and financial institutions (31% of UPB) (see table 5). CMBS investors constitute less than 1% (three loans) of the UPB of the portfolio.

Table 4

Primary Portfolio Breakdown By Property Type And State(i)	UPB (mil. $)	UPB (%)	No. of properties	Properties (%)
Type				
Multifamily	16,227.4	23.8	888	32.6
Office	15,196.9	22.3	416	15.3
Mixed use	14,424.0	21.2	246	9.0
Retail	5,674.3	8.3	127	4.7
Lodging	4,819.3	7.1	283	10.4
All other	11,826.9	17.3	762	28.0
Total	68,168.8	100.0	2,722	100.0
State				
NY	19,585.3	28.7	384	14.1
CA	12,993.4	19.1	449	16.5
U.S. territories/Caribbean	3,824.9	5.6	77	2.8
NJ	3,232.6	4.7	96	3.5
FL	3,059.5	4.5	145	5.3
All other	25,473.0	37.4	1,571	57.7
Total	68,168.8	100.0	2,722	100.0

Note: Totals may not add due to rounding. (i)As of June 30, 2020. UPB--Unpaid principal balance.

Table 5

Primary Portfolio By Investor Product Type(i)				
Loan Type	**UPB (mil. $)**	**Loan count**	**UPB (%)**	**Loan (%)**
Other third-party investors (REITs, investment funds, etc.)	35,418.8	1,500	52.0	64.3
Banks/financial institutions	21,128.5	519	31.0	22.2
Life insurance companies	7,644.8	143	11.2	6.1
Contained in a CRE CDO/CRE CLO (whole loan, mezz, B note)	3,818.1	164	5.6	7.0
CMBS/CDO/ABS	120.0	3	0.2	0.1
Fannie Mae	38.7	4	0.1	0.2
Total	68,168.8	2,333	100.0	100.0

Note: Totals may not add due to rounding. (i)As of June 30, 2020. UPB--Unpaid principal balance. REIT--Real estate investment trust. CRE--Commercial real estate. CDO--Collateralized debt obligation. CLO--Collateralized loan obligation. CMBS--Commercial mortgage-backed securities. ABS--Asset-backed securities.

New loan boarding

Based on its stated practices and written procedures, Trimont has a sound loan setup function that includes three dedicated staff. Features of the process are highlighted below:

- New loan boardings performed by the new loan setup team, with additional support from functional units for specific data setup (e.g., loan triggers and covenants, uniform commercial codes [UCCs], taxes, and insurance).
- Core documents that are reviewed one at a time to confirm they are fully executed and labeled correctly.
- The processing manager reviews and passes all new loans boarded into Strategy.
- System logic quality assurance (QA), which is performed on each step of the loan boarding process.
- QA measures, including a 10% review of the basic loan terms for large bulk loan uploads boarded by an asset servicing quality associate before they are passed into the system. All other loans are reviewed by two individuals before being passed into the system.
- The group boarded 807 new loans during 2019, and an additional 268 loans during the first half of 2020.
- Borrower welcome letters are automatically generated, providing payment instructions and automated clearing house (ACH) auto-debit forms for monthly loan payments. They are sent within five business days from loan closing or when Trimont obtains the servicing assignment.

Payment processing

Trimont's practices and integrated technology tools efficiently address payment processing, cash management, and other complex loan structures with proper segregation of duties. Highlights include the following:

- Separation of duties to ensure that checks are deposited and applied correctly.
- Payments are received into Trimont's clearing accounts. Treasury then downloads the activity feed into the system where the data generate various workflows to the assigned servicing analysts for posting into the Strategy system.
- All payments are handled electronically, with 63% via wire, 28% via ACH, and 9% via lockbox.
- The portfolio contains 1,259 loans with adjustable rates as of June 30, 2020. The payment processing group audits these rates at regular intervals.

- The payoff process was moved to the Process Manager application from a manual process, which also allows for comments on payoff terms and notation of client directions.
- In cases where cash management is performed by clients, emails are saved as backup for updating Strategy in Process Manager.

Investor reporting

Trimont is highly experienced with customized third-party CREFC and GSE reporting requirements. There are seven dedicated staff members for the various investor reporting and operational accounting activities that are appropriately segregated for reporting, remitting, and related account reconciliation processes. Other highlights:

- Bank reconciliations are completed monthly.
- Separate personnel handle bank account reconciliations and investor reporting and remitting.
- Funds released to clients are approved under dual control.
- The company reported no suspense items aged more than 60 days as of June 30, 2020.
- The company incurred no penalties for late remitting or reporting during the first half of 2020.

Escrow administration

We believe the company has sound controls for escrow administration activities. Trimont has dedicated teams for tax and insurance administration, and asset managers to handle loan-level reserve monitoring and analysis for other escrowed events, such as tenant improvement and replacement reserves. Other features include the following:

- Approximately 30% of the loans in the portfolio are escrowed for taxes and 16% for insurance premiums.
- Tax and insurance (T&I) payment dates are monitored in the servicing system.
- For assets where Trimont is not responsible for making T&I payments, the account is reviewed within 30 days after the due date to confirm that payments were made. Clients are notified of any failure by borrowers to make tax or insurance payments.
- Trimont directly monitors the tax payments, but a third-party tax monitoring service may be used in limited cases depending on investor contracts.
- Payments to taxing authorities have been automated. All notifications and controls around payments are maintained with automation in the servicing system.
- The company uses a vendor to identify and track collateral properties that might be in federally designated flood zones.
- Forced-placed coverage has a 365-day look-back period. A nominal amount of loans on the forced-placed policy were reported as of June 30, 2020.
- The company maintains electronic copies of insurance documents, such as certificates, lender-specific endorsements, and any documentation required by loan documents.
- Escrow and reserve disbursements are now completed via electronic vouchers (without slowing down the process with manual vouchers). This electronic process calls for the asset manager to seek approval, as those approvals are

built into the system.

- Servicing personnel monitor letter of credit expirations and renewal dates in Strategy, with images stored in the document repository.

Asset and portfolio administration

We believe Trimont has robust procedures covering asset and portfolio administration. Notable features are as follows:

- As of June 30, 2020, Trimont received and analyzed 99% of 2019 annual property operating statements where it maintains such responsibility. However, Trimont does not collect and spread financials for every investor per their specific servicing contacts.
- In 2020, the financial statement collection tracking has migrated to Backshop from Trimont's proprietary system.
- Operating statements are now captured and digitized through the Lucro artificial intelligence platform, with the documents added into the servicing platform through an electronic interface.
- Property inspections are managed via workflow in the Strategy web portal.
- Unlike many mortgage servicers, Trimont does not generally outsource collateral property inspections. Most property inspections are handled in-house by asset managers or financial analysts, with the completed report reviewed by the respective asset manager or team leader.
- Deferred maintenance issues discovered through inspections are discussed with the client. Appropriate actions are taken by the asset manager, to provide notice to the borrower and follow up on repairs.
- The asset management group administers loan-level covenant and deal compliance; tracking is migrating into the Backshop system from Strategy.
- UCC expiration dates are monitored via the servicing system. A paralegal prepares UCC continuations and notifies the assigned asset manager, who enters pertinent data into the system and follows up when continuations are received.
- Asset managers monitor their respective portfolios and handle the watchlist reporting of loans requiring additional monitoring per their client engagements.

Borrower requests

Trimont addresses borrower requests in a well-controlled manner. Highlights include the following:

- Asset managers respond to borrower consent requests or inquiries within 24 hours and process them through Strategy.
- Trimont uses a signing approval matrix, which may include internal and/or master servicer approvals depending on the client.
- The company processed 305 borrower requests during 2019, consisting of 80 leasing consents, 54 management changes, 45 assumptions, 26 agency repair escrow extensions, and 100 partial collateral releases and various other requests. During the first half of 2020, Trimont processed another 229 borrower requests consisting of 50 leasing consents, 43 agency repair escrow extensions, 26 management changes, 20 assumptions, seven partial releases, and various other requests.

- In 2020, the company began tracking borrower consents in the Strategy web portal, including type of request, days to complete request, and approvals (both internal and third-party).

Early-stage collections

The asset management group administers early-stage collections. Noteworthy features include the following:

- The borrower is contacted by phone and in writing three days after the grace period expires.
- Trimont notifies the client of any delinquencies and, upon client approval, escalates the collection efforts to include delinquency demand letters.
- The system does not automatically generate late notices; instead, the asset managers send them per loan/client specifications.

Loan Administration--Construction Servicing

The loan administration subranking for construction servicing is STRONG.

Trimont has an established track record of successful construction loan risk management and disbursement administration for a highly diversified portfolio with complex reporting and analytical requirements. There are complexities in construction loan administration that require specialized skills apart from those required to service and manage the assets and their loan structures. With that in mind, Trimont continues to recruit staff with a depth of construction knowledge and experience.

The high quality of Trimont's operating procedures with its asset-tracking mechanisms for proactive risk-mitigation practices cover new loan boarding, draw request management and accounting, ongoing developer compliance, budget pro forma-to-actual tracking, collateral takedowns, and the use of construction consulting engineers.

The company has a dedicated administrator to perform draw requests and construction invoice reviews, allowing asset managers more time to spend reviewing changes or identifying risk on loans. The construction group logs and tracks completion of draw requests via Excel worksheets. Plans are underway, however, to migrate these Excel spreadsheets into Strategy. The tracking provides enhanced management and analytics of the draws to date, as well as improved report functionality and communication with borrowers and clients in a more stable platform, which took time to build out with McCracken.

Since our last review, the construction portfolio UPB volume has grown significantly. As of June 30, 2020, the portfolio totaled $63 billion (including $22.6 billion in unfunded commitments) and consisted of 920 projects, with an average project size of approximately $68.5 million (see table 6), up from the average project size of approximately $55.6 million as of the date of our last review.

Table 6

Construction Loan Servicing Portfolio Summary

	June 30, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2016
Portfolio volume					
Outstanding balance (mil. $)	40,364.9	33,921.9	32,420.1	26,651.2	19,203.2
Unfunded commitments (mil. $)	22,644.2	20,688.7	14,916.2	10,931.1	6,647.3
Total construction portfolio (mil. $)	63,009.1	54,610.6	47,336.2	37,582.3	25,850.5
No. of loan commitments	1091	1096	1000	801	746
No. of projects	920	978	851	624	496
Average commitment size (mil. $)	57.8	49.8	47.3	46.9	34.7
Average project size (mil. $)	68.5	55.8	55.6	60.2	52.4
Projects in default, workout, and/or litigation					
Outstanding balance (mil. $)	3,475.2	2,014.1	867.2	698.4	41.0
No. of projects	110	59	72	40	4
Pending foreclosure					
Outstanding balance ($)	0	0	0	0	0
No. of projects	0	0	0	0	0
Foreclosed (real estate-owned)(i)					
Asset value (mil. $)	83.5	62.2	75.5	151.1	397.0
No. of projects	12	9	12	6	17

(i)Because asset values are not tracked for all clients, "Foreclosed (real estate-owned) asset value" reflects the outstanding real estate-owned balance rather than asset value.

The construction portfolio is geographically diversified across 41 states throughout the U.S. and includes all major property types. Mixed-use projects account for the highest concentration by dollar volume (32%) and constitute 22% of the total project portfolio. Lodging projects represent 15% of the portfolio on a unit basis despite accounting for only 5% of the dollar volume. Multifamily projects, while not the greatest dollar amount in the portfolio, do represent the greatest number of loans, with 213 projects for 23% of the construction portfolio (see table 7).

Table 7

Construction Loan Portfolio Breakdown By Property Type And State(i)

	Total commitments (mil. $)	Total commitments (%)	No. of projects	Projects (%)
Type				
Mixed use	19,997.0	31.7	198	21.5
Multifamily	12,510.1	19.9	213	23.2
Office	10,464.9	16.6	115	12.5
Lodging - Hotel/Motel	3,034.2	4.8	142	15.4
Retail	2,540.7	4.0	50	5.4
All other	14,462.2	23.0	202	22.0
Total	63,009.1	100.0	920	100.0
State				
NY	21,091.6	33.5	191	20.8
CA	11,991.3	19.0	168	18.3

Table 7

Construction Loan Portfolio Breakdown By Property Type And State(i) (cont.)

	Total commitments (mil. $)	Total commitments (%)	No. of projects	Projects (%)
NJ	3,189.5	5.1	46	5.0
U.S. territories/Caribbean	2,806.6	4.5	30	3.3
FL	2,776.9	4.4	43	4.7
All other	21,153.2	33.6	442	48.0
Total	63,009.1	100.0	920	100.0

(i)As of June 30, 2020.

Because of the COVID-19 pandemic, many of the construction jobs that Trimont monitors have been slowed down or, in some cases, temporarily stopped due to personnel issues ranging from an inadequate number of construction workers to an inability to social distance. Some sites have moved to shift work to better enable social distancing. Sites have also experienced supply chain issues and budgeting issues or changes. In large part because of these issues, the number of construction projects reported in workout has risen to nearly 12% of the portfolio--an increase from approximately 6% at year-end 2019. The Trimont construction administration group generally remains involved with the loan throughout the workout process. The company has reported that many of its lender clients have come up with innovative solutions to work around these pandemic issues.

Trimont maintains the following construction risk management protocols, which we believe to be well controlled:

- Initial project review and analysis that focuses on loan closing documents, market and property reports, construction contracts, budgets, and environmental reports.
- Loans are boarded into Strategy for ongoing servicing and reserve management; this also allows budget and draw data to be captured for links with Triview.
- Asset managers receive automated system reports for payments, maturities, defaults, and loan covenants.
- A comprehensive draw administration and tracking process is used, which includes coordinating with consultants, title companies, architects, contractors, and syndicate lenders, as well as budget reconciliation, site inspection, and closely monitoring overruns and equity infusions.
- Compliance monitoring of all performance hurdles, including debt service coverage covenants, financial tests, sales, and borrower/guarantor reporting requirements.
- Lien waivers are required for all major contractors, and title searches are run periodically. If issues arise, draws are not funded until liens are satisfied or adequately bonded.
- Construction consultants are typically engaged by the client; in some instances Trimont may engage approved consultants directly.

The construction draw process includes the following steps:

- Construction draws provide for multilevel reviews and approvals from the draw administrator, financial analyst, asset manager, and team leader as applicable.
- Trimont has standardized draw tracking, including the original budget, budget changes, current budget, individual

draws, amount funded to date, remaining to fund, and balancing of sources and uses.

- The construction invoice tracking includes detailed tracking of amounts that are dated by the vendor, invoice numbers/dates, draw, and budget line items.
- Workflow processes currently reside in the Vision system to log and mark completion of draw requests, allowing for monitoring/analysis of the process, report draw-related metrics, and improved communication with clients and borrowers. This process will migrate to a Strategy portal process at the same time as the migration of the construction budget process.
- Funding notices are provided, showing detailed advance splits by investor for syndicated or participated deals.

Loan Administration--Special Servicing

The loan administration subranking for special servicing is STRONG.

Trimont's active special servicing portfolio has experienced tremendous growth during 2020, as 72 assets aggregating $2.6 billion transferred to special servicing, in large part due to the COVID-19 pandemic. Of these, 56 assets comprising nearly $2.5 billion in UPB are CMBS loans. As of June 30, 2020, Trimont is the named special servicer on 38 deals consisting of 575 loans with a UPB of $14.6 billion--a 12% increase in UPB since Dec. 31, 2018.

As a result of the increase in special servicing, Trimont repositioned eight team members (including five asset managers) from CMBS and other groups into special servicing to handle the increased workloads, while moving others back to primary servicing who predominately already handled that work. In conjunction with this, Trimont reclassified eight staff members to primary from special, as these eight have historically performed support functions for primary and special. Additionally, after surveying company staff, management is confident that they have identified an additional 20 staff members that have special servicing experience and could be of additional support if needed.

The special servicing group covers securitized and nonsecuritized special servicing and is supported by resources across offices including Dallas, Kansas City, Los Angeles, and Atlanta. There are nine total asset managers: eight who are dedicated to loans and one who manages REO assets. While the special servicing groups each have their own primary responsibilities, they can also provide assistance to each other if the need arises. The asset per asset manager ratio is 12.6 for loans and 12.0 for REO assets, with an average UPB of $26.8 million and $5.6 million, respectively.

Since our last review, Trimont has worked through a significant portion of the acquired FCFC portfolio, and the active volume reflects that progress. The active special servicing portfolio consists of 113 assets approximating $2.8 billion of UPB (see table 8), including 18 FCFC legacy assets (17 loans and one REO) with an outstanding balance of $15.6 million.

Table 8

Special Servicing Portfolio

	Jun. 30, 2020			Dec. 31, 2019			Dec. 31, 2018			Dec. 31, 2017			Dec. 31, 2016		
	UPB (mil. $)	No.	Avg. age(i)	UPB (mil. $)	No.	Avg. age(i)	UPB (mil. $)	No.	Avg. age(i)	UPB (mil. $)	No.	Avg. age(i)	UPB (mil. $)	No.	Avg. age(i)
Active inventory															
Loans	2,689.6	84	5.6	75.1	16	20.0	109.5	22	21.4	63.1	138	29.5	112.5	277	18.8
Real estate owned	66.9	11	50.6	67.4	11	42.5	11.3	3	59.6	85.7	28	38.8	124.4	63	29.5
Trimont subtotal	2,756.4	95	10.8	142.5	27	29.2	120.8	25	26.0	148.8	166	31.1	236.9	340	20.8
FCFC legacy loans	14.8	17	N/A	33.4	26	N/A	72.8	52	N/A	115.9	110	N/A	219.2	310	N/A
FCFC legacy real estate owned	0.8	1	N/A	0.8	1	N/A	10.8	10	N/A	29.6	50	N/A	62.4	117	N/A
Consolidated total	2,772.1	113	N/A	176.8	54	N/A	204.4	87	N/A	294.3	326	N/A	518.5	767	N/A

Note: Totals may not add due to rounding. (i)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date. FCFC--First City Financial Corp. N/A--Not applicable.

Average hold times as of June 30, 2020 are substantially lower than in year-end 2019 and as of our last review, owing to the recent transfers emanating from the pandemic since March 2020. (We note that table 8 does not include metrics associated with hold time from the loans transferred to Trimont from FCFC, as the original transfer dates to special servicing were unavailable upon their boarding.)

During 2019, Trimont completed 15 resolutions (not including the FCFC portfolio), including eight foreclosures, six discounted payoff/note sales, and one full payoff (see table 9). During the first half of 2020, the company completed another four resolutions, including two discounted payoff/note sales and two full payoffs.

Table 9

Total Special Servicing Portfolio--Loan Resolutions

	2020(i)(ii)			2019(ii)			2018(ii)			2017(ii)			2016(ii)		
	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)
Resolutions															
Loans	16.1	4	12.6	3.3	7	34.8	36.6	114	32.5	77.9	150	18.7	62.7	91	12.8
Foreclosed loans	--	0	--	58.8	8	15.2	--	--	--	14.9	13	19.4	25.5	55	13.5
Total	16.1	4	12.6	62.1	15	24.3	36.6	114	32.5	92.8	163	18.8	88.2	146	13.1
Resolution breakdown															
Returned to master	--	-	--	--	-	--	--	-	--	--	--	--	--	--	--
Full payoffs	14.6	2	12.0	0.7	1	29.8	1.0	4	35.1	41.6	31	14.4	14.5	31	6.7
DPO or note sale	1.5	2	13.2	2.6	6	35.6	35.6	110	32.4	36.3	119	19.8	48.2	60	16.0

Table 9

Total Special Servicing Portfolio--Loan Resolutions (cont.)	2020(i)(ii)			2019(ii)			2018(ii)			2017(ii)			2016(ii)		
	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)	UPB (mil. $)	No.	Avg. age(iii)
Foreclosed loans	--	-	--	58.8	8	15.2	--	--	--	14.9	13	19.4	25.5	55	13.5
Total/average	16.1	4	12.6	62.1	15	24.3	36.6	114	32.5	92.8	163	18.8	88.2	146	13.1

Note: Totals may not add due to rounding. (i)Data only includes the first six months of the year. (ii)Does not include FCFC transferred loans. (iii)Average age reflects the time in months from the date the loan first became specially serviced to the reporting date. UPB--Unpaid principal balance. DPO--Discounted payoff.

Loan recovery and foreclosure management

Trimont has a controlled approach for handling loans transferred to special servicing. Notable highlights:

- Asset managers evaluate the collateral, order property inspections, and create detailed loan resolution plans within 60 days of transfer.
- The legal team performs a review of pooling and servicing agreement requirements and prepares an abstract.
- Standard pre-negotiation letters are sent to all borrowers for execution prior to engaging in workout discussions.
- The asset manager collaborates with workout counsel to draft demand/default letters.
- The resolution plans are approved by following the internal delegations of authority, including the credit committee, which includes highly experienced senior managers, team leaders, department managers, and in-house legal counsel.
- The status of real estate taxes is reviewed and factored into any decision before foreclosure or taking title via deed-in-lieu. At least 30 days before foreclosure, the asset manager contacts the corporate risk management department, and an insurance checklist is prepared by the insurance analyst before Trimont takes title.

REO management and dispositions

The company has a complete and detailed P&P manual covering all REO operations. Key operational aspects include the following:

- The REO asset manager generally completes REO business plans 60 days after the REO transfer, which is similar to peers.
- REO asset managers select property managers from the list of approved vendors and complete the transition checklist summary with the property manager within 30 days of taking title.
- Trimont typically administers blanket insurance for REO portfolios according to client preferences and company guidelines.
- Site inspections are completed by the REO asset manager and property manager within 30 days of taking title.
- Standard property management agreements and broker agreements are used for REO assets.

Time frames for REO dispositions have varied across the portfolio, primarily based on client decisions dictating the hold period and marketing strategy. There were no REO dispositions in the first half of 2020 (see table 10). During 2019, Trimont's portfolio, excluding the FCFC legacy assets, realized an aggregate gross sales proceeds of 75.5% of the market value. In 2018, the gross sales proceeds were 64.5% of the market value. Both of these figures are lower than those of peers. In 2019, however, there were only two assets sold, with relatively low market value, limiting the usefulness of this metric. The 2018 gross sales proceeds to market value was affected by one large balance asset and, without that asset, the gross sales proceeds to market value was 85.6%. According to management, the asset was on the market for a lengthy period, and the company believes the appraisal was unrealistic considering market conditions. The loans transferred from the FCFC acquisition have not been included in this analysis due to insufficient data available.

Table 10

Total Special Servicing Portfolio--Real Estate-Owned Sales

	2020(i)(ii)			2019(ii)			2018(ii)			2017(ii)			2016(ii)		
	Amount (mil. $)	No.	Avg. REO hold period (mos.)	Amount (mil. $)	No.	Avg. REO hold period (mos.)	Amount (mil. $)	No.	Avg. REO hold period (mos.)	Amount (mil. $)	No.	Avg. REO hold period (mos.)	Amount (mil. $)	No.	Avg. REO hold period (mos.)
Estimated market value	--	--	--	5.3	2	17.2	73.7	34	20.5	20.7	47	15.0	34.8	46	29.7
Gross sales proceeds	--	--	--	4.0	--	--	47.5	--	--	17.9	--	--	34.7	--	--
Net sales proceeds	--	--	--	3.8	--	--	44.8	--	--	15.9	--	--	31.7	--	--
Gross sales proceeds/market value (%)	--	--	--	75.5	--	--	64.5	--	--	86.5	--	--	99.7	--	--
Net sales proceeds/market value (%)	--	--	--	71.7	--	--	60.8	--	--	76.8	--	--	91.1	--	--

(i)Data only includes the first six months of the year. (ii)Does not include First City Financial Corp. transferred loans. REO-- Real estate owned.

REO accounting and reporting

We believe that Trimont has adequate REO accounting and reporting functions, accompanied by well-detailed P&Ps. The company uses two accounting systems for REO loans. PeopleSoft is used for accounting of only the FCFC legacy assets, and Microsoft Dynamics is used to manage accounting for the rest of the portfolio. Key operational aspects include the following:

- The company uses a single REO operating account setup with the property managers for each property.
- Checks are sent to the lockbox as soon as possible during the regular monthly business cycle, but no later than the second business day following receipt.
- As a general policy, operating data is uploaded monthly, with 100% of the data sent electronically from property management companies, which are then reviewed by both the asset managers and the property management company.

Subcontracting management

Trimont handles the management and oversight of subcontractors in a controlled and effective manner, in our view, and follows the following guidelines:

- Property managers are selected per the approved vendor management list and engagement P&Ps.
- Preferred or recommended vendors are used unless the situation warrants certain unique skill sets, in which case, additional approvals from senior management must be obtained.
- Standard property manager and broker agreements are used.
- Trimont's in-house legal staff controls the approved vendor list for appraisers, brokers, environmental/engineers, etc., as well as the engagement process, including for outside counsel.
- Formal performance reviews occur, which include financial reviews and periodic site visits for property management on CMBS REO properties (for which there are none as of June 30, 2020).

Performing loan surveillance

Levels of surveillance vary among loan/property type, asset performance, and directing certificate holder (DCH) requests. Trimont reviews information provided by trustees, certificate administrators, master servicer questionnaires, and other third-party sources. Other responsibilities:

- Discussions with the master servicer and market professionals are held discussing asset updates. Monthly watchlist calls are held with DCHs.
- In some cases, DCHs request more advanced surveillance. This could include utilizing data services (Trepp, Bloomberg, etc.), and reviewing payment history, watchlist rating changes, and loan-to-value ratios based on OSAR financial files.
- Detailed property and loan-level surveillance is completed once loans within pools are added to the watchlist, including re-underwriting based on detailed financial files, identifying submarket trends, recent lease signings, quoted rents and vacancies (for apartments), upcoming availabilities for commercial property, tracking key covenants from offering circulars, and reviewing reserve analyses.

Legal department

Special servicing staff have access to three in-house attorneys who support the teams by advising asset managers and controlling the engagement of external law firms. Other notable aspects of what we consider a well-controlled legal function include the following:

- The legal department completes abstracts of pooling and servicing agreements for CMBS loans.
- Trimont uses a standard engagement letter, or an in-house attorney reviews the law firm engagement letter. The asset management system tracks pending legal assignments and litigation status.
- The asset managers review all bills before they are submitted for payment.

Related Research

- Trimont Real Estate Advisors LLC Rankings Affirmed; Outlook Is Stable, Oct. 7, 2020
- Select Servicer List, Sept. 25, 2020
- Servicer Evaluation: Trimont Real Estate Advisors LLC, April 19, 2019
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019

This report does not constitute a rating action.