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# Servicer Evaluation: Trimont Real Estate Advisors LLC

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# Servicer Evaluation: Trimont Real Estate Advisors LLC

## Ranking Overview

| | | Subrankings | | |
|---|---|---|---|---|
| **Servicing category** | **Overall ranking** | **Management and organization** | **Loan administration** | **Ranking 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 June 23, 2022, we affirmed these rankings (see "Trimont Real Estate Advisors LLC STRONG Rankings Affirmed; Ranking Outlooks Stable," published on June 23, 2022). The ranking outlook is stable for each ranking.

Our rankings reflect Trimont's:

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

Since our prior review (see "Servicer Evaluation: Trimont Real Estate Advisors LLC," published Oct. 20, 2020), the following changes and/or developments have occurred:

- Trimont's CEO departed the company in October 2021 and was replaced by an internal promotion of the president and head of European operations, who relocated to Trimont's Atlanta headquarters in early 2022. The new CEO has been with the organization since 2018 and has 31 years of industry experience.
- The primary servicing portfolio has increased by 17.0% in UPB and the special servicing portfolio decreased by 39.3% in UPB (both when comparing Dec. 31, 2021 to June 30, 2020). The decline in special servicing largely reflects the resolution of loans to borrowers affected by COVID-19-related challenges.

- The construction portfolio decreased slightly to $61.5 billion as of Dec. 31, 2021, from $63.0 billion as of June 30, 2020, due to a pandemic-related slowdown in construction activity.
- In January 2022, a risk committee was formed to review the company's risk management framework, assessments and mitigation strategies for the organization, including developing formal succession plans in collaboration with senior leadership, encompassing lessons learned from the pandemic and subsequent changes in business and employee practices.
- In 2021, Trimont engaged CoreLogic as its tax vendor to assist with the monitoring and payment of real estate taxes.
- In 2021, Trimont engaged a third party to conduct a service organization control (SOC) 2 Type 2 audit, in addition to the customary SOC 1 Type 2 audit.
- The 2021, Uniform Single Attestation Program (USAP) and Regulation AB (Reg AB) received qualified opinions from the auditor for bank reconciliations and escrow analysis issues. According to management, the bank reconciliation issue, which was self-identified, has been remediated, and the escrow analysis issue is in the process of remediation. New controls have been put in place to prevent any reoccurrences.
- In late 2021, a new cash control team was established to help the asset management team set up waterfall accounts and oversee cash-managed sweeps of the accounts. The team, which included a team lead and two associates, reports to the senior managing director of credit administration.
- In late 2021, Trimont expanded the responsibilities of its offshore vendor to help with insurance and construction draw administration under Trimont's quality control oversight.
- In November 2021, the president of the Americas operations was appointed to global chief commercial officer.
- In November 2021, the CFO was appointed to the newly created role of chief operating officer (COO) while retaining the role of chief financial officer (CFO)
- In March 2021, Trimont hired an experienced HR professional, who has 25 years of industry experience, to lead the global human resources group and appointed her to the management committee.
- Trimont's Kansas City, Mo. office (which opened in April 2020) expanded to 33 people as of year-end 2021 from a staff of six as of our last review.
- The company is migrating its servicing system from McCracken Strategy's version 19D to version 19F, which is expected to be in full use by June 30, 2022.
- Trimont's staff largely returned to the office in late February 2022, even though the company has adopted a flexible hybrid work model; and its office environment is focused on in-person training opportunities and work collaboration.

The ranking outlooks are stable. Like many servicers, Trimont has been challenged by a tight labor market and has suffered from elevated turnover levels that resulted in some operational disruption. In particular, the staff shortages in 2021 were partially attributable to two findings on the USAP and RegAB related to timeliness issues associated with the performance of bank reconciliations and escrow analysis. We view the recent change in senior leadership and the other organizational restructuring and accompanying initiatives to retain and attract staff, positively. However, we note that the aforementioned audit findings and qualified audit opinions are rarely found among the highest ranked servicers. Our stable ranking outlooks assume that these issues, will not recur.

In addition to conducting a virtual site meeting with servicing management, our review includes current and historical Servicer Evaluation Analytical Methodology data through December 31, 2021, as well as other supporting documentation provided by the company.

## Profile

| Servicer Profile | |
|---|---|
| **Servicer name** | **Trimont Real Estate Advisors LLC** |
| Primary servicing locations | Atlanta, Ga.; Dallas, Texas; Kansas City, Mo. |
| Parent holding company | Trimont Holdings 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's operating model is to deliver customized high-touch commercial loan servicing solutions rather than more standardized servicing. 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. In December 2021, Värde completed the recapitalization of its investment in Trimont. 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.

As of Dec. 31, 2021, Trimont reported 182 domestic employees dedicated to servicing functions--a 13% increase from June 30, 2020 (i.e., our prior review). The largest U.S. operations are in the Atlanta office, followed by Dallas and Kansas City. Its parent company also owns foreign subsidiaries with operations in London, which generally handles assets with collateral located in the United Kingdom and the European Union, and Sydney, which generally handles assets with collateral located in the Asia-Pacific region. While the company serves a diversified client base of more than 200 institutions around the world, this review and report is limited to operations and assets in the U.S. and U.S. territories. To review our latest report on the Trimont UK operations please see: Servicer Evaluation: Trimont Real Estate Advisors UK Ltd., published June 30, 2021.

**Table 1**

| Total Servicing Portfolio | | | | | | |
|---|---|---|---|---|---|---|
| | **UPB (mil. $)** | **YOY change (%)** | **No. of assets** | **YOY change (%)** | **No. of staff** | **YOY change (%)** |
| **Primary servicing(i)** | | | | | | |
| Dec. 31, 2021 | 79,753.7 | 15.8 | 2,340 | 4.4 | 170 | 19.7 |
| Dec. 31, 2020 | 68,854.0 | 4.4 | 2,241 | (5.0) | 142 | 21.4 |
| 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) |

**Table 1**

| Total Servicing Portfolio (cont.) | | | | | | |
|---|---|---|---|---|---|---|
| | **UPB (mil. $)** | **YOY change (%)** | **No. of assets** | **YOY change (%)** | **No. of staff** | **YOY change (%)** |
| **Special servicing** | | | | | | |
| Dec. 31, 2021 | 1,681.8 | (46.9) | 59 | (53.2) | 12 | (36.8) |
| Dec. 31, 2020 | 3,170.1 | 1693.1 | 126 | 133.3 | 19 | 5.6 |
| 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) |

YOY--Year-over-year. UPB--Unpaid principal balance. (i) Primary includes construction loans.

## Management And Organization

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

### Organizational structure, staff, and turnover

The CEO of Trimont (who joined the company in 2016) departed in October 2021 and was replaced by the internal promotion of the president and head of European operations to the CEO position. The new CEO has been a member of Trimont's global management committee since he joined the organization in 2018 and possesses over 31 years' experience in international businesses, operating in both commercial real estate equity and debt. Following his Nov. 2021 promotion to the CEO role, he relocated from Trimont's London office to the Atlanta office.

Trimont's senior management exhibit adequate levels of industry experience, but lower tenure levels when compared to their peers (see table 2). Tenure and experience levels for middle management and staff are lower than similar ranked peers for both primary and special servicing. During 2021, turnover rates for the primary servicing and special servicing staffs were 29% and 32%, respectively. Turnover for primary and special servicing was much greater than the average of its similarly ranked peers. To combat this issue, management has made significant retention changes, which include addressing compensation adjustments, additional onboarding training, community projects to encourage camaraderie of staff, recruitment of additional staff and an accelerated partnership with vendors to create capacity and improve service delivery. While we consider this turnover manageable, considering the increased focus on employees and additional plans put in place by management, we will continue to monitor.

**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 | 24 | 7 | 21 | 9 | N/A | N/A | 10 | 7 |
| Special | 20 | 12 | 31 | 5 | 20 | 7 | 14 | 5 |

(i)As of Dec. 31, 2021

The company is organized in three separate business units: credit administration, credit and asset management, and investment advisory services.

- Credit Administration(servicing). The group is led by a senior managing director (SMD) who has been with the company for 3 years with 22 years of industry experience. The group handles a full range of asset servicing functions.
- Credit and asset management(asset management). The group is composed of performing and non-performing asset management teams. Performing asset management is led by a senior managing director(SMD) who has been with the company for 21 years. Performing asset management monitors loans and the performance of their collateral, credit, and asset management, as well as cash flow management, and investment performance analytics. Performing asset management reports to the above noted SMD who previously headed up this area. Non-performing asset management is led by a director who joined Trimont in January 2022, and has 20 years of asset management experience. This group handles commercial mortgage-backed securities (CMBS) and CRE-CLO special servicing as well as REO and nonperforming loan business plan development and execution.
- Investment Advisory Services. The group is led by a SMD who has been with the company since 2019 and was promoted in April 2022 when the previous MD departed the company. He has over 40 years of 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.

All three groups above, report overall to the global chief commercial officer who has been with the company for 23 years and reports to the CEO. The groups are in turn supported by functions such as accounting, information technology and human resources.

### Training

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

- The company has a dedicated full-time training manager who meets with service line managers monthly to determine overall goals for staff and utilizes internal and external subject matter experts for training.
- Trimont targets 40 hours annual training for each of its employees, which is tracked in its Learning Management System (LMS). In 2021, primary and special servicing employees averaged 43 and 50 hours respectively, exceeding their annual goal.
- Training includes required annual courses in areas such as: Information & Security, Anti-Corruption & Bribery, Anti-Money Laundering, GLBA and Sexual Harassment. Trimont also requires eight hours annually of DEI training via four different online webinars.
- LMS houses over 800 e-learning courses ranging from Microsoft Office applications to soft skills as well as leadership development, and tracks employee training hours.
- LMS reports are generated monthly and are delivered to each manager, who monitors that their team is on track to complete required training.
- Annual training on code of conduct and ethics is covered in the employee handbook. Each employee annually verifies that they have received and read the employee handbook by acknowledging receipt in the LMS.
- In 2021, the company implemented a mentorship program to promote talent from within the organization and to facilitate retention, a challenge it has faced during the COVID-19 pandemic, similar to what we have observed with other servicers.

- Trimont offers courses through Trimont University (TU) with a certification curriculum 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 the 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, 51 Trimont employees have attended and obtained certifications through Schack.
- The company conducted a leadership development program in 2021 in partnership with the University of Georgia that developed middle managers and above.

## Systems and technology

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.

***Servicing system applications***

Trimont utilizes the following servicing system and technology applications:

- McCracken Strategy servicing platform, which it is in the process of upgrading to version 19F from version 19D. Trimont expects to have all data on version 19F by the end of August 2022.
- Backshop is used for all asset management functions, including covenant tracking, inspection tracking, compliance and consent workflows and special servicing.
- Cash Mate, a proprietary platform, handles treasury functions. This system interfaces with Trimont's bank and Strategy systems.
- 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.
- Lucro artificial intelligence (AI) is used for enhanced and expedited data entry for operating statements.
- Triview 2.0, a cloud-based portfolio analytics tool for clients, is based on the Microsoft Azure platform and offers both asset-level and portfolio-level analytics.
- Trimont maintains a centralized data warehouse that assimilates data from various systems--including Strategy, Backshop, CashMate, Documentum, and Lucro--into one central repository via application programming interfaces that drive client reporting, data feeds, and Triview.
- Power BI is a software as a service (SaaS) business intelligence and analytics system that can access data across multiple source platforms and is linked to Trimont's data warehouse. It helps clients collaborate with the company to customize their reports.
- 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 is expected to migrate to a Backshop portal by year-end 2022.

- Process Manager is used for new asset boarding, payoff, new vendor setup, noncash processing, and extending consent tracking.
- Argus is used for underwriting, valuations and cash flow modeling.

***Business continuity and disaster recovery***

Trimont's global information services team (GIS) works with outside vendors to define the backup requirements for the technical resources hosted by Trimont in its Atlanta data center. Access to modify the backup schedule is restricted only to appropriate members of the IT department. The company has the following continuity and disaster recovery plans/measures in place as follows:

- 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 disaster recovery plans are tested annually, and the business continuity plan is tested biannually. The last test occurred on April 24, 2021, with no material issues noted.
- Trimont utilizes a state-of-the-art co-location data center in Atlanta, which was recently moved from another Atlanta location. While it is only 9 miles away from the company headquarters it has its own backup generators. The location employs biometric access, redundant connectivity, power, and cooling. This same vendor also owns data centers in Europe and the Asia-Pacific region, thus providing potential additional options for data management.
- After working from home during the COVID-19 pandemic, employees are back working at the office in a hybrid model. The model is for two mandatory days (Tuesday and Wednesday) and one additional mandatory day in the office to promote partnership and team building. Employees can then choose the other days to work either from home or in the office.

***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 conducts annual security awareness training for employees on various topics including information security and cybersecurity.
- Trimont has annual independent third-party data penetration testing, which was last completed in September 2021, with rotating vendors used.
- The company also runs a monthly external network scan of their system environment.
- Trimont sends employees monthly phishing emails to test awareness. The company partners with a vendor who 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 prioritizes, approves and deploys upgrades and patches to 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 as well as 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.
- Trimont reviews all its servicing policies annually, with assigned managers responsible for updating P&Ps, which are dated and documented, reviewed by the department heads and approved by management.
- The 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 two full-time compliance professionals reporting to the compliance director. In 2021, the compliance group reviewed seven securitizations for which Trimont acts as primary, subservicer, or special servicer. No issues were found during these 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 2021, the internal audit scope included reviews of: change management security, physical asset security, special servicing, servicing agreement requirements, and property taxes. Any minor issues have been addressed by management. The internal audit plans for 2022 include: deal set up, insurance, movement of funds, loan payoffs, property taxes, service fee billing and the Triview analytics tool.

The company undergoes multiple third-party audits and reviews each year, including Regulation AB, Uniform Single Audit Program (USAP), client audits and SOC I. In 2021 it added a SOC II to its program. The year-end 2021 USAP and RegAB audits revealed self-identified findings for bank reconciliations and annual escrow analysis issues. The bank reconciliations and annual escrow analysis issues lead to both the USAP and RegAB receiving qualified opinions from the auditor. Management remediated the bank reconciliation issue, and is in the final process of remediating the escrow analysis issues. Per management, there was no impact to lender or borrower funds. Nonetheless, these material audit exceptions are generally not found amongst the highest ranked servicers.

### Vendor management

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 available. Vendors are then approved by compliance and senior management.
- 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.

### 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 senior managing director (SMD) of credit administration. The SMD has five directors reporting to her. The group handles tax and insurance, process implementation and cash processing, loan servicing, servicing operations, remittance and portfolio management. Designated team directors provide management oversight with various associate directors, senior associates and analysts reporting to them.

As of Dec. 31, 2021, Trimont's loan servicing portfolio had grown to $79.8 billion (including approximately $43.1 billion in construction loans), with 2,340 loans collateralized by 2,757 properties. The average loan size has increased 17% from our last report.

As of the same date, the company reported an 8.3% delinquency rate, which is lower than the multi-year end high reported at Dec. 31, 2020, which was significantly impacted by issues associated with the COVID-19 pandemic (see table 3). Trimont services a significant amount of higher-leverage loans from its investment fund clients, where delinquencies typically run meaningfully higher than what we observe with servicers who primarily deal with GSE or CMBS loans.

**Table 3**

| Primary Servicing Portfolio | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. 31, 2021 | | Dec. 31, 2020 | | Dec. 31, 2019 | | Dec. 31, 2018 | | Dec. 31, 2017 | |
| | UPB (mil. $) | No. | UPB (mil. $) | No. | UPB (mil. $) | No. | UPB (mil. $) | No. | UPB (mil. $) | No. |
| Primary loans | 79,753.7 | 2,340 | 68,854.0 | 2,241 | 65,970.1 | 2,358 | 52,646.9 | 2,238 | 45,237.2 | 2,222 |
| Average loan size | 34.1 | -- | 30.7 | -- | 28.0 | -- | 23.5 | -- | 20.4 | -- |
| **Delinquent (%)** | | | | | | | | | | |
| 30 days | 1.8 | | 2.4 | | 3.4 | | 2.0 | | 3.2 | |
| 60 days | 1.4 | | 0.5 | | 0.6 | | 0.3 | | 0.8 | |
| 90+ days | 5.1 | | 8.9 | | 2.0 | | 1.5 | | 1.1 | |
| Total | 8.3 | | 11.9 | | 6.1 | | 3.9 | | 5.1 | |

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. The major concentrations of property types include multifamily (25% of UPB), office (22% of UPB), and mixed use (19% of UPB) (see table 4). Geographic exposure is greatest in New York (27% of UPB) and California (20% of UPB) with no other state exceeding 7% of UPB. Trimont's major investor types include other third-party investors (i.e., real estate investment trusts and credit company/investment funds) (53% based on UPB), and banks and financial institutions (29% of UPB) (see table 5). CMBS investors constitute less than 1% (five 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 | 20,187.8 | 25.3 | 949 | 34.4 |
| Office | 17,270.0 | 21.7 | 420 | 15.2 |
| Mixed Use | 14,949.5 | 18.7 | 192 | 7.0 |
| Lodging | 9,346.4 | 11.7 | 336 | 12.2 |
| Retail | 4,890.5 | 6.1 | 137 | 5.0 |
| All Other | 13,109.5 | 16.4 | 723 | 26.2 |
| Total | 79,753.7 | 100.0 | 2,757 | 100.0 |
| **State** | | | | |
| NY | 21,779.5 | 27.3 | 415 | 15.1 |
| CA | 15,801.5 | 19.8 | 484 | 17.6 |
| NJ | 5,073.4 | 6.4 | 112 | 4.1 |
| FL | 4,531.8 | 5.7 | 182 | 6.6 |
| TX | 3,908.3 | 4.9 | 168 | 6.1 |
| All Other | 28,659.2 | 35.9 | 1,396 | 50.6 |
| Total | 79,753.7 | 100.0 | 2,757 | 100.0 |

Totals may not add due to rounding. (i)As of Dec. 31, 2021. 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.) | 42,399.5 | 1,543 | 53.2 | 65.9 |
| Banks/financial institutions | 23,416.6 | 481 | 29.4 | 20.6 |
| Life insurance companies | 8,794.6 | 167 | 11.0 | 7.1 |
| Contained in a CRE CDO/CRE CLO (whole loan, mezz, B Note) | 4,671.5 | 144 | 5.9 | 6.2 |
| CMBS/CDO/ABS | 471.6 | 5 | 0.6 | 0.2 |
| Total | 79,753.7 | 2,340 | 100.0 | 100.0 |

Totals may not add due to rounding. (i)As of Dec. 31, 2021. UPB--Unpaid principal balance.

## New loan boarding

Based on its stated practices and written procedures, Trimont has a sound loan setup function that includes three dedicated staff, with a solid process that has not changed much over the last several years. Features of the process are highlighted below:

- New loan boardings are 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 code [UCC], taxes, and insurance).
- The processing manager reviews and passes all new loans boarded into Strategy.
- System logic quality assurance (QA), which is performed at each step of the loan boarding process.
- QA measures include 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 835 new loans during 2021, an increase from the 527 new loans boarded in 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.
- The team also follows#up on document exceptions, missing documents, post-closing items, insurance information, certificates of occupancy, and applicable side letter agreement requirements.

## 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 if paper checks are received they are deposited and applied correctly.
- Payments are received into Trimont's clearing accounts where the Treasury department downloads the activity feed into the system that generates various workflows to the assigned servicing analysts for posting into Strategy.
- All payments are handled electronically, with 78% via wire, 15% via ACH, and 7% via lockbox.
- The portfolio contains 1,559 loans with adjustable rates, which are audited at regular intervals, as of Dec. 31, 2021.
- In 2021, the payoff process was moved from a manual process to the Process Manager application, 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 a variety of investor reporting requirements, including those customized for third-parties as well as those for CREFC and GSE reporting. There are nine 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 include:

- Bank reconciliations are completed monthly.
- Separate personnel handle bank account reconciliations and investor reporting and remitting.
- Funds released to clients are approved under dual review and control.
- The company reported no suspense items aged more than 60 days as of Dec. 31, 2021.
- There were nominal non-CMBS reporting errors that needed to be recalculated or restated as of Dec. 31, 2021.
- The company incurred no penalties for late remitting or reporting in 2021.

### Escrow administration

The company has sound controls for escrow administration activities with dedicated teams for tax and insurance administration. Asset managers handle loan-level reserve monitoring and analysis for other escrowed items, such as tenant improvement and replacement reserves. Other escrow administration features include:

- Trimont recently expanded its relationship with its offshore vendor to include various repetitive tasks such as: extraction of insurance requirements, setting up insurance in Strategy, handling insurance renewals, and matching checks with invoices in construction draw packages. The escrow administration department reviews and approves all vendor work.
- Approximately 26% of the loans in the portfolio are escrowed for taxes and 27% for insurance. Tax and insurance (T&I) payment dates are monitored in Strategy.
- 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.
- In 2021, Trimont engaged CoreLogic to assist with monitoring and payment of taxes on the company's behalf.
- Payments to taxing authorities are all automated, including notifications and controls.
- The company uses a vendor to identify and track collateral properties that may 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 Dec. 31, 2021.
- 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 completed via electronic vouchers with a process that calls for the asset manager to seek the necessary approvals 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

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

- As of Dec. 31, 2021, Trimont received and analyzed 98% of 2020 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.
- The financial statement collection tracking is processed through Backshop.
- Operating statements are 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 and tracked in Backshop.
- 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 in Backshop.
- 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 processes them through Backshop.
- Trimont uses a signing approval matrix, which may include internal and/or master servicer approvals depending on the client.
- The company processed 451 borrower requests as a primary servicer during 2021, consisting of 99 assumptions, 78 leasing consents, 59 management changes, 22 agency repair escrow extensions, eight partial collateral releases, along with 185 various other requests.
- The company tracks borrower consents in Backshop, 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 no later than 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.
- All collections comments are entered chronologically into the system and are date and time stamped.
- 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 successfully continues to maintain and 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 recently transitioned from a dedicated administrator performing draw requests and construction invoice reviews, to its offshore vendor to handle this process. This allows asset managers to spend more time reviewing changes or identifying risk on loans, but the process is subject to Trimont's controls and reviews. While the construction group logs and tracks completion of draw requests via Excel worksheets, plans are underway to migrate these Excel spreadsheets into Backshop. The new tracking in Backshop will provide enhanced management and analytics of the draws to date, as well as provide improved report functionality and communication with borrowers and clients in a more stable platform.

Since our last review, the construction portfolio UPB has decreased somewhat, largely due to COVID-19 related matters, coupled with construction material and labor shortages. As of Dec. 31, 2021, the portfolio totaled $61.5 billion (including $18 billion in unfunded commitments), a decrease from the $63 billion as of June 30, 2020. The construction portfolio consists of 847 projects, with an average project size of approximately $73 million (see table 6), an increase from the average project size of approximately $69 million as of the date of our last review.

**Table 6**

| Construction Loan Servicing Portfolio Summary | | | | | |
|---|---|---|---|---|---|
| | **Dec. 31, 2021** | **Dec. 31, 2020** | **Dec. 31, 2019** | **Dec. 31, 2018** | **Dec. 31, 2017** |
| **Portfolio volume** | | | | | |
| Outstanding balance (mil. $) | 43,092.2 | 43,647.6 | 33,921.9 | 32,420.1 | 26,651.3 |
| Unfunded commitments (mil. $) | 18,404.0 | 21,378.7 | 20,688.7 | 14,916.2 | 10,931.1 |
| Total construction portfolio (mil. $) | 61,496.2 | 65,026.3 | 54,610.6 | 47,336.2 | 37,582.3 |
| No. of loan commitments | 986 | 1,063 | 1,096 | 1,000 | 801 |
| No. of projects | 847 | 857 | 978 | 851 | 624 |
| Average commitment size (mil. $) | 62.4 | 611.7 | 49.8 | 47.3 | 46.9 |
| Average project size (mil. $) | 72.6 | 75.9 | 55.8 | 55.6 | 60.2 |
| **Projects in default, workout, and/or litigation** | | | | | |
| Outstanding balance (mil. $) | 8,708.7 | 6,429.0 | 2,014.1 | 867.2 | 698.4 |
| No. of projects | 94 | 121 | 59 | 72 | 40 |
| **Pending foreclosure** | | | | | |
| Outstanding balance ($) | 0 | 0 | 0 | 0 | 0 |
| No. of projects | 0 | 0 | 0 | 0 | 0 |
| **Foreclosed (real estate-owned)(i)** | | | | | |
| Asset value (mil. $) | 37.1 | 59.0 | 62.2 | 75.5 | 151.1 |
| No. of projects | 4 | 3 | 9 | 12 | 6 |

(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 38 states in the U.S. and include all major property types. Mixed-use projects account for the highest concentration by dollar volume (26%) and constitute nearly 16% of the total project portfolio. Lodging projects represent 11% of the portfolio on a unit basis despite accounting for only 6% of the dollar volume. Multifamily projects represent the greatest number of loans, with 275 projects accounting for more than 32% of the 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 | 16,076.72 | 26.1 | 133 | 15.7 |
| Multifamily | 14,025.80 | 22.8 | 275 | 32.5 |
| Office | 11,213.59 | 18.2 | 147 | 17.4 |
| Industrial | 3,951.13 | 6.4 | 66 | 7.8 |
| Lodging- hotel/motel | 3,611.55 | 5.9 | 91 | 10.7 |
| All other | 12,617.41 | 20.5 | 135 | 15.9 |
| Total | 61,496.21 | 100.0 | 847 | 100.0 |
| **State** | | | | |
| NY | 20,414.45 | 33.2 | 179 | 21.1 |
| CA | 11,424.47 | 18.6 | 194 | 22.9 |

**Table 7**

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

| | Total commitments (mil. $) | Total commitments (%) | No. of projects | Projects (%) |
|---|---|---|---|---|
| NJ | 4,872.35 | 7.9 | 69 | 8.1 |
| MA | 2,690.41 | 4.4 | 17 | 2.0 |
| GA | 2,199.08 | 3.6 | 18 | 2.1 |
| All other | 19,895.45 | 32.4 | 370 | 43.7 |
| Total | 61,496.21 | 100.0 | 847 | 100.0 |

(i)As of Dec. 31, 2021.

The number of construction projects reported in workout is 11% of the portfolio, which is a slight improvement from the 12% at our prior review, but still well above prior year levels. This elevated level of workouts is largely attributable to the COVID-19 pandemic. Many of the construction jobs that Trimont monitors have been slowed down or, in some cases, temporarily stopped due to an inadequate number of construction workers. Sites have also experienced supply chain issues and budgeting issues due to overall material increases. The Trimont construction administration group generally remains involved with the loan throughout the workout process.

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

- Initial project review and analysis focusing 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.
- The comprehensive draw administration and tracking process includes coordinating with consultants, title companies, architects, contractors, and syndicate lenders, as well as budget reconciliation, site inspection, and monitoring cost 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, however, 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 into Backshop 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.

As of Dec. 31, 2021, Trimont is the named special servicer on 37 deals consisting of 528 loans with a UPB of $16.3 billion--a 12% increase in UPB since June 30, 2020.

At the same time, Trimont's active special servicing portfolio has declined 39% in UPB since our prior review ($2.8 billion as of June 30, 2020) but is still above the last four-year average. The decline is only in the active loan inventory (43%), with the active REO inventory increasing 93%. While the asset base is currently lower, they are of greater complexity and higher average UPB.

As a result of the significant increase in special servicing volume during the peak of COVID-19, Trimont repositioned eight team members (including five asset managers) from other groups into special servicing to handle the increased workloads. However, by the end of 2021, most pandemic loans were resolved, and the special servicing loan count diminished (see table 8). These employees have since returned to their original positions as the impact of COVID-19 issues have abated.

The special servicing group covers securitized and non-securitized special servicing and is supported by resources across offices including Dallas, Kansas City, and Atlanta. There are seven total asset managers: six 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 manageable at 7.5 for loans and 14 for REO, with an average UPB of $34.5 million and $9.3 million, respectively.

**Table 8**

**Special Servicing Portfolio**

| | Dec. 31, 2021 | | | Dec. 31, 2020 | | | Dec. 31, 2019 | | | Dec. 31, 2018 | | | Dec. 31, 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 1,551.1 | 45 | 21.6 | 3,070.0 | 112 | 12.8 | 108.5 | 42 | 29.2 | 182.4 | 74 | 23.8 | 179.0 | 248 | 25.1 |
| Real estate owned | 130.7 | 14 | 45.1 | 100.1 | 14 | 45.8 | 68.3 | 12 | 42.7 | 22.1 | 13 | 38.7 | 115.3 | 78 | 27.7 |
| Total | 1,681.8 | 59 | 27.2 | 3,170.1 | 126 | 16.5 | 176.8 | 54 | 32.2 | 204.4 | 87 | 26.0 | 294.3 | 326 | 25.7 |

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

Average hold times for loans as of Dec. 31, 2021 have risen since the four year low reported in 2020 (which was impacted from the large volume of transfers during 2020), but the hold times are still slightly below the four year average of 22.7 months. During 2021, Trimont completed 70 resolutions, including 37 returned to master, 17 discounted payoff/note sales, 13 full payoffs, and three foreclosures (see table 9). The overall average resolution time in 2021 was at a multiyear low of 17.2 months. The resolution times were skewed downward owing to the greater than historical composition of loans returned to master, which in many instances were loans that sought temporary relief (i.e. forebearance) due to cash flow disruptions resulting from COVID-19 and therefore did not require a long-term stay in special servicing. By way of comparison, Trimont only reported one loan returned to master during the prior four years among its 476 resolutions. Further, the 13 full payoffs (nearly 19% of 2021 resolutions) averaged only 2.6 months to resolve, further aiding the lower overall average.

**Table 9**

**Total Special Servicing Portfolio--Loan Resolutions**

| | 2021 | | | 2020 | | | 2019 | | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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) |
| **Resolutions** | | | | | | | | | | | | | | | |
| Loans | 1,329.4 | 67 | 17.5 | 24.2 | 13 | 26.8 | 42.5 | 35 | 32.2 | 51.6 | 135 | 30.8 | 133.1 | 255 | 17.6 |
| Foreclosed loans | 18.0 | 3 | 13.0 | 2.8 | 3 | 51.7 | 58.8 | 8 | 15.2 | 3.4 | 6 | 23.4 | 19.4 | 22 | 18.9 |
| Total | 1,347.4 | 70 | 17.3 | 27.0 | 16 | 31.5 | 101.3 | 43 | 29.0 | 55.0 | 141 | 30.5 | 152.5 | 277 | 17.7 |
| **Resolution breakdown** | | | | | | | | | | | | | | | |
| Returned to master | 1,176.0 | 37 | 11.7 | 0.0 | 0 | N/A | 0.9 | 1 | 32.4 | 0.0 | 0 | N/A | 0.0 | 0 | N/A |
| Full payoffs | 121.8 | 13 | 2.6 | 20.3 | 9 | 29.3 | 9.3 | 11 | 30.0 | 7.4 | 15 | 24.3 | 65.8 | 53 | 13.7 |
| DPO or note sale | 31.6 | 17 | 41.4 | 3.9 | 4 | 21.2 | 32.3 | 23 | 33.2 | 44.2 | 120 | 31.7 | 67.2 | 202 | 18.6 |
| Foreclosed loans | 18.0 | 3 | 13.0 | 2.8 | 3 | 51.7 | 58.8 | 8 | 15.2 | 3.4 | 6 | 23.4 | 19.4 | 22 | 18.9 |
| Total/average | 1,347.4 | 70 | 17.3 | 27.0 | 16 | 31.5 | 101.3 | 43 | 29.0 | 55.0 | 141 | 30.5 | 152.5 | 277 | 17.7 |

Totals may not add due to rounding. (i)Avg. 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.
- 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 a 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 six REO dispositions in 2021, and eight dispositions in 2020 (see table 10). In 2021 and 2020, the gross sales proceeds were 97.7% and 104.9%, respectively, of the market value, levels much improved from 2017-2019.

**Table 10**

**Total Special Servicing Portfolio--Real Estate-Owned Sales**

| | 2021 | | | 2020 | | | 2019 | | | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 35.6 | 6 | 21.7 | 14.8 | 8 | 6.6 | 8.1 | 10 | 19.0 | 86.8 | 72 | 20.9 | 58.4 | 124 | 14.9 |
| Gross sales proceeds | 34.8 | -- | -- | 15.6 | -- | -- | 6.6 | -- | -- | 57.8 | -- | -- | 49.2 | -- | -- |
| Net sales proceeds | 31.8 | -- | -- | 14.0 | -- | -- | 6.0 | -- | -- | 54.2 | -- | -- | 43.1 | -- | -- |
| Gross sales proceeds/market value (%) | 97.7 | -- | -- | 104.9 | -- | -- | 82.0 | -- | -- | 66.5 | -- | -- | 84.2 | -- | -- |
| Net sales proceeds/market value (%) | 89.3 | -- | -- | 94.5 | -- | -- | 73.7 | -- | -- | 62.4 | -- | -- | 73.7 | -- | -- |

### REO accounting and reporting

Trimont has adequate REO accounting and reporting functions, accompanied by well-detailed P&Ps. 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 reporting 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.
- Per policy, formal performance reviews occur, which include financial reviews and periodic site visits for property management on CMBS REO properties.

### 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.

### 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 include:

- 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 (Bloomberg, Trepp, 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 two 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.
- Pending legal assignments and litigation status is tracked in Excel spreadsheets.
- The asset managers review all legal bills before they are submitted for payment.

## Related research

- Trimont Real Estate Advisors LLC STRONG Rankings Affirmed; Ranking Outlooks Stable, June 23, 2022
- Select Servicer List, April 19, 2022
- Servicer Evaluation Spotlight Report™: Environmental, Social, And Governance Factors Have Consistently Powered Our Servicer Evaluation Rankings , Nov. 16, 2020
- Servicer Evaluation: Trimont Real Estate Advisors LLC, Oct. 20, 2020
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019