

DBRS and Morningstar Credit Ratings Provide Notification on Methodology and Model Decisions for U.S. CMBS IO Certificates and MB Transactions

Sept. 12, 2019—On July 11, 2019, Morningstar Credit Ratings (MCR) and DBRS, Inc. (DBRS; together, DBRS Morningstar) published their first announcement regarding the integration of the analytical teams focused in the U.S. structured finance market. Today’s press release is the fifth in a series to keep the market updated on analytical integration decisions and is focused on the U.S. commercial mortgage-backed securities (CMBS) sector.

[DBRS and Morningstar Credit Ratings Announce Analytical Integration Process and Ratings Overlap](#)

CMBS Interest-Only Classes

DBRS Morningstar conducted an analysis of the U.S. CMBS sector and concluded that for new and outstanding MCR CMBS ratings on interest-only (IO) certificates, ratings will be determined using DBRS’s Rating North American CMBS Interest-Only Certificates” (the IO Methodology). The IO Methodology will continue to be applied to all new and outstanding DBRS CMBS IO certificates.

The IO Methodology sets forth the applicable reference obligation approach that is used to assign and monitor ratings for CMBS IO certificates. The IO Methodology will also be applied to all outstanding MCR IO classes for single-asset/single-borrower and multi-borrower CMBS transactions.

For more information related to rating actions taken by MCR on outstanding IO certificates for single-asset/single-borrower CMBS transactions, please see the following press release:

[Morningstar Credit Ratings Places Ratings on Interest-Only U.S. Commercial Mortgage-Backed Securities Classes Under Review](#)

Multi-Borrower CMBS Conduits, Re-REMIC, CRE CLO and Agency Freddie Mac K-Series

DBRS Morningstar also determined that all new ratings issued in the multi-borrower conduit, Re-REMIC, commercial real estate (CRE) collateralized loan obligations (CLO) and Freddie Mac K-Series asset classes (collectively, the MB Asset Classes) will be rated using the DBRS North American CMBS Multi-borrower Rating Methodology (the MB Methodology) and the DBRS North American CMBS Insight Model.

As a result of the decision, DBRS will also apply the MB Methodology, DBRS North American CMBS Insight Model and DBRS's North American CMBS Surveillance Methodology to all outstanding MCR ratings for MB transactions using certain MCR inputs and components of both DBRS methodologies. As part of this process, DBRS will concurrently assign ratings to the MB IO certificates using the IO Methodology.

For more information related to rating actions taken by MCR on outstanding MB transactions, please see the following press release:

[Morningstar Credit Ratings Places Ratings on Multi-Borrower U.S. Commercial Mortgage-Backed Securities Classes Under Review](#)

The notification period related to the methodology and model selections will close on Sept. 30, 2019, and the rating actions in respect of the relevant transactions using the selected methodologies and models (as applicable) are expected to be taken thereafter.

Notes:

Unless otherwise noted, all data provided in this press release is as of Sept. 12, 2019 and is preliminary and subject to change.

For analytical inquiries regarding this press release, please contact Erin Stafford, Managing Director, U.S. CMBS.

For more information on the transactions rated by DBRS, please visit www.dbrs.com or contact DBRS at info@dbrs.com. For transactions rated by MCR, please visit www.morningstarcreditratings.com or contact ratingagency@morningstar.com.

For rating engagement inquiries regarding the U.S. CMBS asset class coverage or any asset classes not listed, please contact Sean O'Connor, Managing Director, Head of Global Business Development.

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