



News Release

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FOR IMMEDIATE RELEASE

Morningstar Credit Ratings, LLC Raises Residential Vendor Ranking for Green River Capital, LLC in Asset Management to 'MOR RV1'; Raises Residential Component Servicer Ranking in Short Sales to 'MOR RS1'

NEW YORK, Dec. 22, 2014—Morningstar Credit Ratings, LLC today raised its residential vendor ranking for Green River Capital, LLC (GRC) as a residential vendor in the asset management market to 'MOR RV1' from 'MOR RV2,' and raised its residential component servicer ranking for GRC in the short sales market to 'MOR RS1' from 'MOR RS2.' The forecast for both rankings is Stable.

The raised rankings reflect Morningstar's assessment of GRC's operational infrastructure and client-driven performance results in its respective duties as a residential component servicer and asset manager for real-estate owned (REO) properties. The Stable forecast for both rankings reflects solid performance for GRC's client base and an enterprise-wide focus on audit, quality control, compliance, and technology. GRC management has developed an effective compliance culture that promotes industry best practices through a solid training regimen, comprehensive and client-driven policies and procedures, and internal performance monitoring and reporting. GRC's proprietary technology and overall systems infrastructure provides the company with a highly flexible platform from which to pursue new business leads and launch new products quickly as industry developments occur. GRC's flexible business model and proprietary technology provide the company, both as a component servicer and vendor, market growth and a diversified business strategy, which are evident in recently introduced business ventures such as collateral underwriting and property manager oversight and compliance for the single-family rental securitization market. In January 2012, GRC became a wholly owned subsidiary of Clayton Holdings LLC, which provides due diligence, consulting, and analytics to the residential and commercial mortgage industries. In July 2014, Clayton Holdings was acquired by Radian Group Inc., a market leader in the mortgage insurance industry. Although GRC will remain a stand-alone entity, there are additional synergies and business opportunities that can be further leveraged across GRC and Clayton Holdings from both a product and

technology standpoint that should serve to strengthen GRC's market position. The raised rankings are based on the following factors:

- Solid performance record: GRC is led by a long-tenured management team with an average of approximately 21 years of relevant industry experience and acceptable organizational turnover rates. Based on Morningstar's assessment, GRC has a successful record of REO asset management practices for a wide variety of clients. GRC also has sound practices for providing short sale management services to a wide range of financial institutions through its subsidiary, Green River Financial. GRC has developed a continuous performance monitoring and reporting infrastructure to meet or exceed client expectations. GRC collects extensive data daily and uses scorecards to grade and evaluate performance against numerous benchmarks to ensure deliverables for client-based service-level agreements are substantially met or exceeded. A monthly performance summary is presented to management for review.
- Robust technology environment: Morningstar believes GRC has an effective, fully scalable technology architecture and systems infrastructure that supports the company's products and services. GRC's proprietary technology provides the company with the necessary flexibility to develop and effectively execute new business strategies. Additionally, GRC's technology infrastructure provides the necessary performance management tools critical to monitoring and delivering performance to clients as outlined in service-level agreements. GRC has a comprehensive system for developing and prioritizing technology projects, which includes an annual project road map and database, project scorecards, user acceptance testing that utilizes subject-matter experts, a technical writer to update manuals, and a technical trainer to deliver systems training. System enhancements are deployed to staff in monthly releases.
- Risk management: In Morningstar's view, GRC has implemented an effective risk control environment throughout the organization by instituting sound internal controls. These controls include, but are not limited to, effective training programs, comprehensive procedures, continuous performance monitoring and reviews, internal risk assessment methodologies, and control monitoring. Additionally, a Statement on Standards for Attestation Engagements (SSAE) No.16, Reporting on Controls at a Service Organization (SOC 1), is conducted annually by an external firm. A review of the 2014 SSAE report revealed no material findings.
- Disaster recovery and business continuity: Morningstar believes GRC has an enhanced disaster recovery and business continuity plan in place. GRC has migrated to Clayton Holding's network, and significant improvements have occurred over the past 12 months, further strengthening

GRC's reliability as a vendor. Other joint infrastructure projects have been completed, including the implementation of a geographical redundancy strategy enabling GRC's office in Salt Lake City, Utah and Clayton Holdings' office in Shelton, Connecticut to become redundant data operations centers, which provides an enhanced testing environment and improved business resumption time.

- Effective training programs: Morningstar's positive view of GRC is based on an effective training regimen for new and current employees that benefits from a blend of internal and external training solutions. Examples of GRC's extensive training programs include: required annual Fair Debt Collection Practices Act testing and certification, comprehensive advice and training on emerging Consumer Financial Protection Bureau guidelines, and new development plans for individual employees that consist of other required and optional training courses. In 2014, GRC introduced a company-wide development program that requires employees to earn a minimum number of training credits annually. Morningstar believes GRC has the requisite training infrastructure, staff, and resources commensurate with the size of its organization.
- Comprehensive policies and procedures: GRC holds weekly meetings focused on best practices and monthly policy and procedure reviews to ensure consistent practices across the business. GRC has embarked on a project to migrate all company policies and procedures from a shared drive to a corporate intranet site, as of January 2015.

The forecast for both rankings is Stable. Morningstar believes GRC is fully capable of serving as an effective residential component servicer and residential vendor for a wide variety of financial institution clients. The forecast acknowledges the technology and process enhancements incorporated since Morningstar's last review. Morningstar believes GRC will maintain organizational stability, provide high-quality service and performance for clients, and recognize additional performance efficiencies and technology enhancements as it continues to integrate best practices and leverage synergies and business opportunities with its parent companies, Clayton Holdings and Radian Group.

To access Morningstar's operational risk assessment methodology and all published reports, please visit <https://ratingagency.morningstar.com>.

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Morningstar Credit Ratings, LLC is a Nationally Recognized Statistical Rating Organization (NRSRO) that specializes in structured credit research and ratings and offers a wide array of services including new-issue ratings and analysis, operational risk assessments, surveillance services, data, and technology solutions.

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