

# Operational Risk Assessments

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## Our Mission

Morningstar's operational risk assessments establishes a new standard for market participants who want to demonstrate a commitment to quality service and their ability to meet or exceed mission critical performance objectives. Our operational risk assessments are available for companies who provide services for the following asset classes:

- ▶ Asset Backed (Consumer and Commercial)
- ▶ Commercial Mortgage (Large and Small Balance)
- ▶ Construction Loans
- ▶ Residential Mortgage

Our operational risk assessments provides institutional investors with an independent, objective, and thorough analysis of the operational risks and capabilities of servicers and other transaction participants who play a key role in many types of financial transactions, including several operation types such as:

- ▶ Commercial Mortgage Servicer and Special Servicer
- ▶ Commercial Advisory Services
- ▶ Small-Balance Commercial Mortgage Servicer
- ▶ Business-Based Loan Servicer
- ▶ Construction Loan Servicer
- ▶ Residential Mortgage Servicer
- ▶ Residential Mortgage Originator
- ▶ Consumer Finance Servicer
- ▶ Tax Lien Servicer

These firms play an increasingly key role in many types of financial transactions and can be considered transaction participants in their own right.

## Comprehensive Performance Assessment

Our analysis focuses on non-credit-related operational risks and the effectiveness of the transaction participant's protocols to mitigate operational risk to meet or exceed agreed-upon key performance metrics in service level agreements, to comply with state and Federal legal requirements and regulations of the client's country of domicile, and to adhere to industry best practices. Our assessment consists of an in-depth analysis of the transaction participant's controls and operating efficiency with attention to management depth, organizational structure, policies and procedures,

performance metrics across all relevant servicing areas and all mission critical functions expected to be performed by the transaction participant. The assessment is based on an examination of essential functions, such as:

## Commercial Servicing

- ▶ Staffing and Organizational Structure
- ▶ Asset Administration, Portfolio Management and Investor Reporting
- ▶ Audit and Internal Controls
- ▶ Technology and Disaster Recovery
- ▶ Asset-Resolution Performance and Managing Conflicts of Interest

## Residential Servicing

- ▶ Management, Staff Experience, Training and Turnover
- ▶ Risk Management: Internal Controls and Underwriting Guidelines
- ▶ Vendor Selection and Oversight
- ▶ Regulatory Compliance
- ▶ Cash Management
- ▶ Escrow Processing
- ▶ Customer Relations
- ▶ Financial Controls Systems Architecture, Project Management
- ▶ Disaster Recovery, Business Resumption, Network Security
- ▶ Homeownership Retention
- ▶ Default Management

## Commercial Real Estate Advisory Services

- ▶ Staffing Depth
- ▶ Technology and Disaster Recovery
- ▶ Workflow Management and Quality-Control Practices
- ▶ Analytics and Client Reporting Compliance
- ▶ Diversity and Scope of Assignments

## Investor Focused Analysis

Morningstar's operational risk assessments is conducted from an investor perspective by taking a close look at the impact a transaction participant's performance and capabilities may have on its investors, clients, and the overall transaction success.

## Operational Risk Assessments

### Experience You Can Trust

Our team of experienced operational risk professionals has a deep level of expertise providing assessments for a broad range of transaction participants covering the spectrum of commercial and residential operation types.

### Transparent, Comprehensive, and Timely

Morningstar makes its operational risk analyses available and transparent to all market participants with unfettered access to the operational risk assessments reports and related rankings for each participant that Morningstar has analyzed. The assessment report provides an in-depth look at Morningstar's opinion of the risk profile of the transaction participant, combined with detailed performance metrics and analytics, delivered in a consistent format that market participants can use as an independent research tool. Morningstar conducts timely follow-up assessments and reviews of the rankings to provide investors access to all relevant information at all times.

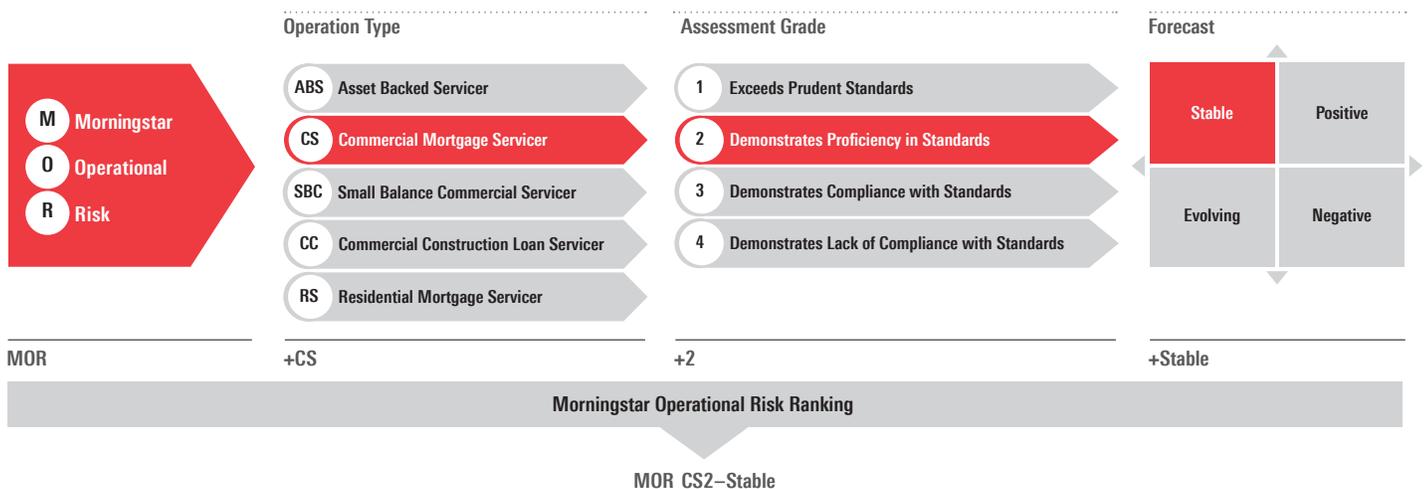
### Operational Risk Ranking

Our operational risk ranking, while derived through a comprehensive analysis, is designed to be straightforward for investors and illustrate a servicer's or transaction participant's ability to meet or exceed prudent operational standards as established by Morningstar's assessment methodology. Each assessment includes a current overall ranking in addition to a forecast based on our view of the servicer's or transaction participant's likelihood of maintaining current performance levels given its historical and current performance metrics, risk management protocols, and technology infrastructure and our consideration of future industry trends and ongoing market conditions.

### Seal of Operational Excellence

Morningstar offers its Seal of Operational Excellence to servicing and transaction participants that achieve Morningstar's highest operational ranking. Firms with this distinction demonstrate characteristics such as superior technology infrastructure, outstanding risk-management practices, highly experienced management, and consistent achievement of efficiency and productivity across all critical operational functions. 

## Morningstar Operational Risk MOR CS2-Stable



Morningstar Credit Ratings, LLC ("Morningstar") is a nationally recognized statistical rating organization (NRSRO) that has earned a reputation for innovation and excellence in the structured finance market. Our goal is to help institutional investors identify credit risk in structured finance investments. Our analytical approach stresses transparency of the ratings process, strong fundamental credit analysis, and comprehensive investor-focused reporting. With Morningstar, structured finance investors have access to high quality ratings, investment research, surveillance services, data, and technology solutions. Any assessment performed by the Operational Risk Assessments Group is only an opinion regarding a participant, which may be (i) made available on Morningstar's website at [ratingagency.morningstar.com](http://ratingagency.morningstar.com) in the form of a report and related ranking and (ii) based on certain factors, information and subject to various qualifications, caveats and considerations enumerated with respect thereto at the "Morningstar Analysis and Considerations" link at [ratingagency.morningstar.com](http://ratingagency.morningstar.com) and/or in the publication of the assessment. Any assessments, rankings, forecasts, or changes thereto, are not NRSRO credit ratings within the meaning of Section 3 of the Securities Exchange Act of 1934 ("Exchange Act") or credit ratings subject to the Exchange Act requirements and regulations promulgated there under with respect to NRSROs. Any assessments, rankings or forecasts are published solely for information purposes and are not an offer to buy or sell or a solicitation of an offer to buy or sell any security or derivative and should not be construed as providing investment services in any state, country or jurisdiction.