Morningstar’s operational risk assessment establishes a new standard for market participants who want to demonstrate a commitment to quality service and their ability to exceed mission critical performance objectives. Our operational risk assessment provides institutional investors with an independent, objective, and comprehensive analysis of the operational risk associated with mortgage servicers, loan originators and third party service providers who play a key role in many types of financial transactions (transaction participants).

Servicers
Loan Originators
Service Providers/Vendors
Residential
Commercial
Asset Backed
Small Balance
Business Based

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. Our assessment consists of an in-depth analysis of the management, organizational structure, and mission critical functions expected to be performed by the transaction participant.

The assessment will be based on an evaluation of mission critical functions such as:

Risk Mitigation Protocols
Internal Controls
Loan & Asset Administration
Cash Management
Investor Accounting
Compliance
Investor Reporting
Technology
Historical Portfolio Performance
Managing Conflicts of Interest

Investor Focused Analysis
Morningstar’s operational risk assessment will be conducted from an “investor” perspective, taking a close look at what impact the transaction participant may have on investors in certain transactions.

Experience You Can Trust
Our team of experienced operational risk professionals have deep experience providing assessments for a broad range of transaction participants, including all types of residential, commercial, and asset backed servicers, business based servicers, commercial and residential loan originators, and third party service providers.

Transparent, Comprehensive, Timely
The operational risk analysis conducted by Morningstar will be made available to investors with 100% transparency. Investors will have access to an operational risk assessment report and related ranking for each participant that Morningstar has analyzed. The assessment report will provide an in-depth look at Morningstar’s opinion of the risk profile of the transaction participant, combined with detailed performance metrics and analytics, all delivered in a consistent format that investors can utilize to make better-informed investment decisions. Morningstar will conduct timely follow-up assessments and review of the rankings to ensure that investors have access to relevant information at all times.

Investor Focused
Transparent
Comprehensive
Objective
Operational Risk Ranking

Our operational risk ranking will be comprehensive and easy for investors to understand, focusing on the ability of a transaction participant to meet or exceed prudent operational standards as established by Morningstar’s assessment criteria. The ranking will include both a point in time ranking plus a forecast of the transaction participants likelihood of maintaining current performance levels given ongoing market conditions.

Morningstar’s structured credit research and ratings subsidiary is a Nationally Recognized Statistical Ratings 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.

Morningstar Operational Risk MOR CS2−Stable

Any assessment performed by the Operational Risk Assessment Group is only an opinion regarding a participant, which may be (i) made available on Morningstar’s website at 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 and/or in the publication of the assessment. Any assessments, and changes to assessments, are not, in of themselves, to be considered or construed as credit ratings or credit rating actions of any form.

While the above provides a general description of Morningstar’s operational risk assessments, other information posted to Morningstar’s website at ratingagency.morningstar.com, including the “Morningstar Analysis and Considerations” link on Morningstar’s website, should be considered and reviewed in conjunction herewith.