

DBRS Morningstar Assigns MOR CS3 Commercial Mortgage Special Servicer Ranking to CoreVest American Finance Lender, LLC

CMBS

DBRS, Inc. (DBRS Morningstar) assigned a MOR CS3 commercial mortgage special servicer ranking to CoreVest American Finance Lender, LLC (CoreVest or the Company), a wholly owned subsidiary and division of Redwood Trust, Inc. (Redwood). The trend for the ranking is Stable.

Including its predecessor companies, CoreVest has a multiyear track record overseeing permanent and transitional small-to-midsized income-producing residential loans and real estate involving single-family rental (SFR) and multifamily housing, which is the Company's niche business as a lender and asset manager. To date, CoreVest serves solely in an oversight and approver role as a directing classholder (DCH) or principal investor in which it manages assets through third-party servicers and special servicers. DBRS Morningstar believes the Company is positioned with the requisite capabilities to serve directly as a special servicer for its loan products and issued transactions.

The assigned ranking further reflects the following considerations:

- CoreVest's experienced management and professional team. Several employees have worked together at other organizations where they managed large portfolios of distressed business-based and small-balance real estate-secured assets.
- The Company's operational stability based on moderate employee turnover and no manager turnover during the past two calendar years through Q1 2022. CoreVest's operating framework, inclusive of the resources provided by Redwood, encompasses the essential components for sound special servicing. To prepare as a named special servicer, CoreVest may gain efficiency by establishing a distinct investor reporting function as well.
- CoreVest's successful performance, in its defined role, managing special serviced loans during the past few years, which mostly resulted in full payoffs. The Company also has directly managed and sold more than 25 non-securitized real estate owned (REO) properties since early 2020, with overall excellent outcomes. Additionally, CoreVest has coordinated with external servicers to grant forbearances and other payment relief requests during the Coronavirus Disease (COVID-19) pandemic.
- Supported by its technology, the Company demonstrates solid analytical rigor and proactive asset management, including thorough portfolio surveillance practices. CoreVest has adequately documented policies and procedures, although they could be expanded in scope of areas covered and with more detail.
- A mostly cloud-based suite of technology applications with solid functionality to address CoreVest's business needs and asset types. The Company effectively uses a customized version of a Salesforce, Inc. application for workflow/data management and business intelligence used in tandem with Yardi Systems, Inc.'s accounting software and an integrated data warehouse hosted by Amazon Web Services, Inc. A Redwood IT team, with allocated staff for CoreVest, oversees self-managed data centers, acceptable data backup routines, sound data security practices, and annual recovery tests. Data security requirements include annual reviews of third-party service providers.
- A sound internal audit function that centers on Redwood's operational audits of CoreVest conducted at least annually. The few exceptions noted in the most recent January 2022 report mostly involved administrative issues that CoreVest has remediated. Should CoreVest become a special servicer on a publicly rated transaction, it will also provide annual Regulation AB attestations.

As of December 31, 2021, CoreVest had nearly \$5.0 billion of assets under management in its role as DCH on 19 securitized transactions and controlling party for other non-securitized loan pools. As of December 31, 2021, the active special servicing portfolio contained 87 loans (on a consolidated note basis) and 18 REO assets, with a combined unpaid principal balance of approximately \$209.6 million. Approximately 75% of the active assets involved SFR properties and 20% involved multifamily properties. Accordingly, the active portfolio contained more than 1,000 collateral properties. Approximately 54% of the active assets were in securitized transactions.

All rankings are subject to surveillance, which could result in rankings being raised, lowered, placed under review, confirmed, or discontinued by DBRS Morningstar.

DBRS Morningstar North American commercial mortgage servicer rankings are not credit ratings. Instead, they are designed to evaluate the quality of the parties that service commercial mortgage loans. Although the servicer's financial condition contributes to the applicable ranking, its relative importance is such that a servicer's ranking should never be considered as a proxy of its creditworthiness.

Notes:

All figures are in U.S. dollars unless otherwise noted.

The principal methodology is North American Commercial Mortgage Servicer Rankings (September 3, 2021), which can be found on dbrsmorningstar.com under Methodologies & Criteria.

For more information on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

DBRS, Inc.
140 Broadway, 43rd Floor
New York, NY 10005 USA
Tel. +1 212 806-3277

Contacts

Michael Merriam

Senior Vice President, Credit Ratings - North American CMBS

+1 203 929 4007

michael.merriam@dbrsmorningstar.com

Richard Carlson

Managing Director - North American CMBS

+1 312 332 9451

rich.carlson@dbrsmorningstar.com

The DBRS Morningstar group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(EU CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(UK CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals of the DBRS Morningstar group of companies, please see: <https://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS Morningstar group of companies are wholly-owned subsidiaries of Morningstar, Inc. © 2022 DBRS Morningstar. All Rights Reserved.

The information upon which DBRS Morningstar credit ratings and other types of credit opinions and reports are based is obtained by DBRS Morningstar from sources DBRS Morningstar believes to be reliable. DBRS Morningstar does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS Morningstar credit ratings, other types of credit opinions, reports and any other information provided by DBRS Morningstar are provided "as is" and without representation or warranty of any kind and DBRS Morningstar assumes no obligation to update any such ratings, opinions, reports or other information. DBRS Morningstar hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS Morningstar or its directors, officers, employees, independent contractors, agents, affiliates and representatives (collectively, DBRS Morningstar Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of credit ratings, other types of credit opinions and reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS Morningstar or any DBRS Morningstar Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. IN ANY EVENT, TO THE EXTENT PERMITTED BY LAW, THE AGGREGATE LIABILITY OF DBRS MORNINGSTAR AND THE DBRS MORNINGSTAR REPRESENTATIVES FOR ANY REASON WHATSOEVER SHALL NOT EXCEED THE GREATER OF (A) THE TOTAL AMOUNT PAID BY THE USER FOR SERVICES PROVIDED BY DBRS MORNINGSTAR DURING THE TWELVE (12) MONTHS IMMEDIATELY PRECEDING THE EVENT GIVING RISE TO LIABILITY, AND (B) U.S. \$100. DBRS Morningstar does not act as a fiduciary or an investment advisor. DBRS Morningstar does not provide investment, financial or other advice.

Credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar (a) are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness, investment, financial or other advice or recommendations to purchase, sell or hold any securities; (b) do not take into account your personal objectives, financial situations or needs; (c) should be weighed, if at all, solely as one factor in any investment or credit decision; (d) are not intended for use by retail investors; and (e) address only credit risk and do not address other investment risks, such as liquidity risk or market volatility risk. Accordingly, credit ratings, other types of credit opinions and other analysis and research issued by DBRS Morningstar are not a substitute for due care and the study and evaluation of each investment decision, security or credit that one may consider making, purchasing, holding, selling, or providing, as applicable.

A report with respect to a DBRS Morningstar credit rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities.

DBRS Morningstar may receive compensation for its credit ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities.

This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS Morningstar. ALL DBRS MORNINGSTAR CREDIT RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DEFINITIONS, LIMITATIONS, POLICIES AND METHODOLOGIES THAT ARE AVAILABLE ON <https://www.dbrsmorningstar.com>. Users may, through hypertext or other computer links, gain access to or from websites operated by persons other than DBRS Morningstar. Such hyperlinks or other computer links are provided for convenience only. DBRS Morningstar does not endorse the content, the operator or operations of third party websites. DBRS Morningstar is not responsible for the content or operation of such third party websites and DBRS Morningstar shall have no liability to you or any other person or entity for the use of third party websites.