

CBRE Loan Services Inc. **STRONG** Commercial Mortgage Loan Primary Servicer Ranking Affirmed; Outlook Is Stable

September 1, 2020

OVERVIEW

- CBRELS, an indirect wholly owned subsidiary of CBRE Group Inc. (NYSE: CBRE), offers primary servicing, asset management, and loan underwriting services to over 70 lender and investor clients.
- We affirmed our overall **STRONG** ranking on CBRE Loan Services Inc. (CBRELS) as a commercial mortgage loan primary servicer.
- The outlook is stable.

CENTENNIAL (S&P Global Ratings) Sept. 1, 2020--S&P Global Ratings today affirmed its **STRONG** ranking on CBRE Loan Services Inc. (CBRELS) as a commercial mortgage loan primary servicer. The outlook is stable.

Our ranking reflects CBRELS's:

- Lengthy track record of servicing loans from multiple capital sources and of various property types and locations;
- Experienced senior management team;
- Highly automated servicing process through an effective use of technology, including a recently upgraded version of the Strategy servicing system;
- Solid audit and compliance environment;
- Institutional backing and financial support of its parent company, CBRE Group Inc.; and
- Significant outsourcing of routine servicing tasks to an overseas third party, Genpact, under a service-level agreement.

Since our prior review (see "Servicer Evaluation: CBRE Loan Services Inc.," published May 22, 2018), the following changes and/or developments have occurred:

- CBRELS experienced growth in the primary servicing portfolio of over 40% in unpaid principal balance (UPB) and over 32% by number of loans;
- In April 2019, expanded the platform to add third-party loan underwriting and advisory, operated out of New York and led by a managing director with over 25 years of industry

SERVICER ANALYST

Geoffrey C Danek
Centennial
(1) 303-721-4689
Geoffrey.Danek@spglobal.com

SECONDARY CONTACT

Paul L Kirby
New York
(1) 212-438-1365
paul.kirby@spglobal.com

ANALYTICAL MANAGER

Robert J Radziul
New York
(1) 212-438-1051
robert.radziul@spglobal.com

experience;

- CBRELS expanded the responsibilities of the director of portfolio management to include the monitoring of loan covenants, financial statements, and property inspections;
- CBRELS negotiated a new agreement with Genpact, a business process service provider, until June 30, 2023, to continue to perform a significant amount of routine servicing tasks in India;
- CBRELS successfully upgraded to release 19A of McCracken Strategy's commercial loan servicing system from versions 12B and 14B, which encompassed the design and implementation of workflows in the McCracken portal, the conversion of all proprietary applications to conform with release 19A, and the implementation of a new, more robust data warehouse;
- CBRELS upgraded the SAP BI (DataMine) report management tool as part of a larger system upgrade project that included client portals; and
- CBRELS implemented an artificial intelligence-based application for commercial real estate financial statement spreading that was developed in collaboration with Genpact.

CBRELS maintains a disaster recovery and business continuity plan, including response procedures to address operational disruption. Both CBRE corporate and CBRELS implemented their plans in March 2020 due to COVID-19. Management reports that there have been no disruptions to the company's operations or data facilities and that all of its employees continue to work remotely via a Virtual Private Network (VPN) connection.

CBRE corporate has created an office reopening committee and guidelines. Each location needs to adhere to these guidelines to open its office and manage the ongoing office environment. CBRELS has created an office reopening subcommittee, which works with CBRE corporate and monitors the local COVID-19 situation closely. Genpact has established its own crisis management and reopening guidelines based on its local situation.

The outlook is stable. We believe CBRELS, like most servicers, will face challenges in 2020 arising from increased workloads associated with relief requests from borrowers facing economic difficulties due to the COVID-19 pandemic, particularly following a prior existing benign default environment. Despite the challenges, we believe that CBRELS will remain a diligent and capable primary servicer based on its qualified management team, long track record of servicing a diverse set of loan products, thorough internal controls, and effective technology.

The financial position is SUFFICIENT.

Related Research

- Select Servicer List, July 2, 2020
- CBRE Services Inc., April 13, 2020
- U.S. Commercial Mortgage Servicers Preparing For Impact From COVID-19, April 3, 2020
- Analytical Approach: Global Servicer Evaluations Rankings, Jan. 7, 2019
- Servicer Evaluation: CBRE Loan Services Inc., May 22, 2018

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