

Berkadia Commercial Mortgage LLC

Berkadia Commercial Mortgage LLC (Berkadia, or the company), a joint venture between Berkshire Hathaway and Jefferies Financial Group Inc. (Jefferies), is a commercial real estate (CRE) lender, broker, servicer and third-party outsource provider of CRE servicing functions. The company maintains three business lines: commercial mortgage banking, investment sales and commercial mortgage servicing. Berkadia originates commercial mortgage loans for government-sponsored entities (GSEs), third parties (such as life companies, private investors and institutional banks) and securitized transactions, as well as for its own portfolio.

Berkadia maintains a well-articulated business plan focused on adding and expanding third-party relationships and generally retaining servicing for approximately 90% of loans originated. In 2021, Berkadia originated a record \$40.4 billion in commercial mortgages, a substantial increase from \$26.9 billion originated in 2020. In 2021, the company was the largest Freddie Mac lender and the third-largest U.S. Department of Housing and Urban Development (HUD) and Fannie Mae lender. The company boarded 3,750 loans totaling \$72 billion in 2021, including new master servicing assignments for 18 single asset single borrower (SASB) transactions totaling \$10.7 billion and three single family rental (SFR) transactions totaling \$885.4 million.

The company services over 20,100 CRE loans totaling approximately \$337.2 billion for GSEs, insurance companies, conduits, banks, third-parties and its own proprietary portfolio. Berkadia's largest servicing clients include HUD, Freddie Mac and Fannie Mae. As of Dec. 31, 2021, 53% (by loan count) of the total servicing portfolio was subserviced for Berkadia's third-party clients, while the remainder was serviced for GSEs (20%), securitized transactions (18% including master and primary servicing), life companies (8%), and warehouse loans (1%).

Approximately 68% of Berkadia's servicing staff is located offshore through Berkadia Services India Private Limited (Berkadia India), the company's captive offshore platform for approximately 20 years. This is the largest such percentage among servicers rated by Fitch Ratings and provides Berkadia with flexibility and scalability relative to its servicing volume.

Servicer Ratings

- Fitch rates primary and master servicers, which protect the interests of the certificateholders in the trust by servicing and administering the mortgage loans.
- The primary servicer is responsible for day-to-day servicing functions, while the master servicer is responsible for monitoring the activities of the primary servicers, investor reporting and timely remittance of funds to trustees.
- Fitch also rates special servicers, which are key to maintaining the credit quality of a pool containing nonperforming commercial mortgages and real estate-owned (REO) assets. The special servicer is responsible for working out loans, foreclosing and liquidating assets.
- In assessing and analyzing the capabilities of primary, master and special servicers, Fitch reviews several key factors, including the management team, organizational structure and operating history, financial condition, information systems and, with respect to the special servicer, workout and asset disposition experience and strategies.
- Fitch rates commercial mortgage primary, master and special servicers on a 1-to-5 scale, with 1 being the highest rating. Within each of these rating levels, Fitch further differentiates ratings by plus (+) and minus (-) along with the flat rating.

Ratings

Commercial Primary Servicer	CPS1
Commercial Master Servicer	CMS2

Note: Last Rating Action: Affirmed June 13, 2022.

Applicable Criteria

[Criteria for Rating Loan Servicers \(February 2020\)](#)

[Criteria for Rating North American Commercial Mortgage Servicers \(January 2020\)](#)

Related Research

[Fitch Affirms Berkadia's Commercial Servicer Ratings \(June 2022\)](#)

[Fitch Revises Jefferies' Outlook to Positive; Affirms IDR at 'BBB' \(January 2022\)](#)

[Fitch Affirms Berkshire Hathaway Inc.'s IDR at 'AA-'; Outlook Stable \(April 2022\)](#)

Analysts

James Bauer
+1 212 908 0343
james.bauer@fitchratings.com

Adam Fox
+1 212 908 0869
adam.fox@fitchratings.com

Key Rating Drivers

Company/Management: Berkadia benefits from strong sponsorship support contributing to stable ownership and a growing servicing platform. Berkshire Hathaway and Jefferies each own 50% of the company, which has been servicing commercial mortgages since 1994. Berkadia maintains a well-articulated business plan focused on adding and expanding third-party relationships and retaining internal originations leading to continued growth in commercial mortgage servicing, which remains an integral component of the broader Berkadia platform.

Staffing and Training: Berkadia employs 68% of its servicing staff through its captive offshore operation, Berkadia India, the largest such percentage among Fitch-rated servicers. Offshore employees are extensively trained virtually and via frequent training visits to India, in addition to training key Indian personnel in the U.S. Turnover in Berkadia's Hyderabad office is below the historical averages observed by other servicers with employees in India and the market average of approximately 25% for the financial services industry.

The company maintains a deep and stable management bench of 38 senior and middle managers who collectively average 25 years of industry experience and 17 years of tenure, along with a highly experienced U.S. servicing staff of 178 employees averaging 16 years of industry experience. Fitch notes positively that overall turnover across both the U.S. and India continues to remain stable in an era of increased turnover across the financial services industry. In the U.S., overall turnover was 10% (9.6% excluding internal transfers), up slightly from 7% last review and consistent with 10% observed in 2020. The India servicing operations experienced 16% overall turnover, up slightly from 14% last review but still below 18% in 2020. Management turnover remained low at 3% in the last 12 months compared to 8% last review and 9% in 2020.

Technology: Berkadia uses McCracken Strategy release 17.6 as its primary servicing application. While Berkadia has been on the same version since 2015 as other rated servicers have moved to newer releases, the company is testing Strategy release 20 in anticipation of implementing the system by YE 2022. Berkadia has a demonstrated commitment to investing significant resources in technology development. Strategy is integrated with a suite of proprietary ancillary applications, for which Berkadia maintains 22 development teams in the U.S. and India that are focused on continuous improvements in Berkadia's applications.

The company continues to focus on building a single cloud-based database to improve processing times and create a single repository for data. The database is the basis for newer applications such as the Financial Analysis App (FA App) and quality control module used to assign workflows and automate quality control reviews. Recent technology initiatives included expanding the use of the quality control module to automate the review of financial statement analyses and begin testing other servicing functions such as new loan boarding and data management, updating the FA App to provide variance comparisons over multiple periods as well as incorporating multifamily rent roll data via optical character recognition (OCR) technology, and a complete overhaul of the company's portal for third-party servicing clients.

Procedures and Controls: Berkadia maintains a comprehensive reporting process to manage output from its servicing operations, using data validation reports, exception reporting and dashboards. Additionally, the company's risk, control and compliance department samples servicing functions for compliance with internal policies, regulations and pooling and servicing agreements (PSAs). Berkadia performs annual enterprise-wide risk assessments to develop audit plans, and internal audits are performed on a 24-month rotation. There were no new internal audits performed on servicing operations since Fitch's last review; however, four audits of the servicing group are planned for 2022.

Loan Administration: Berkadia has extensive primary servicing experience, with CRE loans demonstrating the highest performance in servicing ability for a diverse set of loans, properties and clients. The company maintains a quality control-focused platform for primary servicing, predominantly utilizing operational staff in India providing significant scale and minimizing added costs while maintaining subject-matter expertise in the U.S. Berkadia also demonstrates high performance in master servicing ability; however, the company performs fewer primary servicer audits than other active and highly rated master servicers.

Financial Condition: Fitch views the company's short-term financial viability as adequate to support the servicing platform and its liquidity as sufficient to meet advancing obligations.

Company Experience Since:

CRE Servicing	1994
Securitized Servicing	1994
Overseeing Primary Servicers	1994

Source: Berkadia.

Operational Trends

Business Plan	▲	Growth in portfolio with demonstrated sponsor support investing in servicing infrastructure
Servicing Portfolio	■	Year-over-year loan count change of approximately 10%
Financial Condition	■	Outlook/Trend
Staffing	■	Staffing changed less than 12% +/-
Technology	■	Stable technology platform; system of record significantly behind current releases
Internal Controls	■	Stable control environment; no material audit findings
Servicing Operations	▲	Strong/consistent operations organized around servicing tasks relative to the portfolio; functional growth into new product types or business lines

Source: Fitch Ratings.

BERKADIA®

Company Overview

Berkadia is a limited liability company and, through a series of holding companies, is ultimately a joint venture between Jefferies and Berkshire Hathaway Inc. In December 2009, the company began operations as Berkadia by acquiring the commercial mortgage origination and servicing business of Capmark Financial Group Inc. through Capmark's bankruptcy. The platform has been operating since 1994, previously as GMAC Commercial Mortgage.

Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
Total Servicing					
UPB (\$ Mil.)	337,202.6	11	302,864.6	8	279,551.8
No. of Loans	20,122	(1)	20,293	9	18,559
Primary Servicing					
UPB (\$ Mil.)	337,073.3	11	302,718.1	8	279,003.0
No. of Loans	20,090	(1)	20,256	9	18,512
Master Servicing					
UPB (\$ Mil.)	6,467.9	72	3,761.2	(23)	4,901.7
No. of Loans	316	(28)	439	(31)	638

UPB – Unpaid principal balance. Note: Dec. 31, 2021 primary servicing numbers include 3,512 loans that are limited subservicing.
Source: Berkadia.

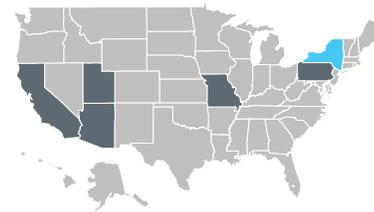
In 2021, Berkadia originated a \$40.4 billion in commercial mortgages, a substantial increase from \$26.9 billion originated in 2020, \$26.7 billion in 2019, and \$26.1 billion in 2018. In 2021, the company was the largest Freddie Mac lender and the third-largest HUD and Fannie Mae lender. During 2021, Berkadia contributed over \$11.1 billion to Freddie Mac K-series transactions, and approximately \$1.6 billion to securitized conduit transactions. Berkadia also maintains annual origination volumes of approximately \$3 billion for life companies and roughly \$1 billion for its proprietary balance sheet loan program, which, in addition to continuing to focus on loans collateralized by stabilized properties seeking permanent GSE financing, is also engaging with institutional partners to increase bridge lending.

The company services over 20,100 CRE loans totaling approximately \$337.2 billion across its client base, which includes GSEs, insurance companies, conduits, banks, third-parties and its own proprietary portfolio. Berkadia's largest servicing clients include the U.S. Department of Housing and Urban Development (HUD), Freddie Mac and Fannie Mae. As of year-end 2021, 53% (by loan count) of the total servicing portfolio was subserviced on behalf of third-party clients, while the remainder was serviced for GSEs (20%), securitized transactions (18% including master and primary servicing), life companies (8%), and loans pre-securitization (1%).

Berkadia's subservicing portfolio consists of 10,731 loans totaling \$186 billion, which has grown as the company continues to add new clients and expand existing relationships. The company has also maintained a subservicing relationship with KeyBank since 2012 and, as of Dec. 31, 2021, it represented 757 loans totaling \$11.9 billion. The KeyBank portfolio represents 7% (by loan count) of the subservicing portfolio for third parties and 4% of Berkadia's total servicing portfolio, down from 9% and 5% as of the last review, respectively. Fitch expects the KeyBank portfolio to continue to decline as runoff exceeds additional assignments.

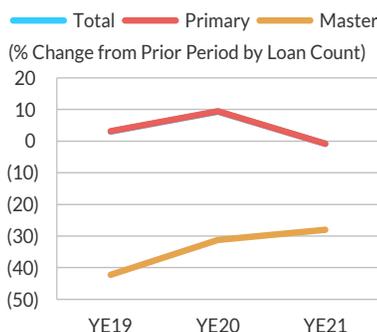
The company continues to add diversity to its portfolio through interim servicing for SFR loans pre-securitization, new SASB and SFR master servicing assignments and Freddie Mac SBL

Office Locations



Primary Office: New York City.

Servicing Portfolio



Source: Berkadia.

Berkadia maintains a well-articulated business plan focused on adding and expanding third-party relationships and generally retaining servicing for approximately 90% of loans originated. During 2021, loan originations increased 50% from the prior year reflecting strong financing markets and the company was a top three GSE lender. The company boarded 3,750 loans totaling \$72 billion in 2021, including new master servicing assignments for 18 SASB transactions totaling \$10.7 billion and three SFR transactions totaling \$885.4 million.

Approximately half of the servicing portfolio is subserviced on behalf of third parties (53% by loan count), of which Berkadia performs full subservicing for 67% (by loan count) and noncashing subservicing for 33%. Noncashing subservicing refers to a select number of servicing functions performed by Berkadia.

lending and servicing. During 2021, Berkadia was appointed as master servicer on three SFR transactions with 214 loans totaling \$885.4 million as well as 18 SASB transactions totaling \$10.7 billion. The company also currently primary services 213 small balance loans totaling \$584.4 million in 25 Freddie Mac small balance transactions.

Berkadia is headquartered in New York City. It maintains its U.S. servicing operations in Ambler, PA and its offshore operations in Hyderabad, India. The company has servicing staff based in New York City, NY, Irvine, CA, St. Louis, MO, Midvale, UT and Scottsdale, AZ. Berkadia continues to place investment sales and mortgage banking personnel together to help improve customer service and expand business lines.

Financial Condition

Fitch does not maintain a credit rating for Berkadia; however, Fitch performed a financial assessment of the company and determined its short-term financial viability to be adequate to support the servicing platform. Financial condition carries greater weight in master servicer ratings given a master servicer's need to advance payments for securitized loans. In contrast to its master servicing peers, which are typically divisions of investment-grade banks or insurance companies, and while Berkadia is not publicly rated and has a smaller balance sheet, it maintains sufficient liquidity to meet advancing obligations.

Fitch's assessment of Berkadia noted continued strong profitability, low leverage relative to peers, larger scale given leading GSE franchise position, and increased master servicing activity. Fitch also noted Berkadia's reliance on short-term secured funding and the company resumed historically high dividend payout rates in November 2021 after pausing during the coronavirus pandemic. Although there is no firm dividend policy or clear guidance, Berkadia historically has used cash earnings as a basis for dividends. Potential advancing obligations are supported by third-party credit facilities, cash and liquid investments on the company's balance sheet and the financial benefits of its parent's investment in the platform, providing liquidity to support advancing obligations in a market downturn.

Employees

As of Dec. 31, 2021, Berkadia maintained a master and primary servicing staff of 646 employees, up from 606 last review. Berkadia had 437 employees in the Hyderabad office and 209 in the U.S. as of the aforementioned date, compared with 410 in Hyderabad and 196 in the U.S., respectively, last review. Fitch's previous review consisted of data as of March 31, 2021.

During the past 12 months, Berkadia experienced 14% overall turnover, consistent with Fitch's last review and still below 16% observed during 2020. Berkadia had 91 employee departures (six of which were internal transfers and five of which were involuntary departures) as of Fitch's most recent review (70 in India and 21 in the U.S.), up from 81 (68 in India and 13 in the U.S.) last review.

Fitch notes positively that overall turnover across both the U.S. and India continues to remain stable in an era of increased turnover across rated servicer peers. The company attributes lower turnover to its corporate culture, focus on training, and flexible work environment. In the U.S., overall turnover was 10% (9.6% excluding internal transfers), up slightly from 7% last review and consistent with 10% observed in 2020. The India servicing operations experienced 16% overall turnover, up slightly from 14% last review but still below 18% in 2020. Fitch notes that Berkadia's turnover metrics in India compare favorably to market turnover. In India, the primary drivers of turnover remain a combination of departures for other job opportunities, family obligations and educational aspirations.

Berkadia's primary servicing platform relies on operational staff in India while maintaining subject-matter expertise in the U.S. The company has 20 years of CRE operations experience in India (among the most mature offshore operations of Fitch-rated servicers), and it extensively trains its employees and monitors the operations of its captive offshore subsidiary via frequent training visits between the U.S. and India.

Management turnover remained low at 3% in the last 12 months compared to 8% last review and 9% in 2020. Turnover consisted of only one senior manager departure in the U.S., compared to three senior managers (one in the U.S. and two in India) last review. Berkadia continues to maintain a deep and stable management bench, with 38 senior and middle managers collectively averaging 25 years of industry experience and 17 years of company tenure.

Employee Statistics

	2022				2021			
	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover
Domestic Primary/Master Servicing								
Senior Management	5	33	22	20	5	32	22	17
Middle Management	26	26	17	0	28	25	16	0
Servicing Staff	178	16	10	12	163	17	10	8
Total	209	—	—	10	196	—	—	7
Offshore Primary/Master Servicing								
Senior Management	3	19	13	0	3	19	12	50
Middle Management	4	16	11	0	3	10	9	0
Servicing Staff	430	5	5	17	404	5	5	17
Total	437	—	—	17	410	—	—	18
Total Primary/Master Servicing	646	—	—	14	606	—	—	14

Source: Berkadia.

Berkadia maintains an experienced and tenured domestic and offshore management team. In the U.S., five senior managers average 33 years of industry experience and 22 years with the company, while three senior managers in India average 19 years of industry experience and 13 years with Berkadia. Supporting senior management is comprised of 26 middle managers in the U.S. averaging 26 years of industry experience and 17 years of company tenure, along with four middle managers in India averaging 16 years of industry experience and 11 years with the company. Senior managers in India report directly to U.S. senior managers. The company continues to maintain a site director to manage operations in Hyderabad.

In the past 12 months, management turnover among senior and middle managers in the U.S. and India remained low at 3%, compared to 8% last review and 9% in 2020. There were no middle manager departures as management departures consisted solely of senior managers, consistent with last review. Senior manager turnover declined to 12% from 30% last review as there was one voluntary senior management departure in the U.S. during Fitch’s recent review, compared to three voluntary departures last review. Berkadia continues to maintain an experienced senior leadership team as demonstrated by the assumption of responsibilities across the senior management team following the management departures.

Berkadia maintains a highly experienced U.S. servicing staff of 178 employees that average 16 years of industry experience and 10 years of tenure. Staff are structured on a functional basis for specific tasks that include asset management, taxes and insurance and investor reporting. Client services serves as the main point of contact for servicing clients. There is also a separate life company servicing group. The India servicing staff average five years of industry experience and five years of tenure and supports all aspects of servicing, including investor reporting, bank reconciliations, cash-managed loans, reserves, new loan boarding, Uniform Commercial Code (UCC) processing, taxes and insurance, escrow analysis and financial statement analysis.

Berkadia also maintains a small balance servicing platform in Hyderabad staffed by three subject matter experts with extensive cross training who also assist other functional teams. While Berkadia does contact borrowers from India, Fitch was unable to assess the quality of these calls relative to other offshore operations. Borrower contact from India is historically limited (less than 5% of all calls to borrowers).

Training

Fitch found Berkadia’s training program to be comprehensive, allowing for employee development in the U.S. as well as in India. Berkadia has a dedicated corporate trainer responsible for both the U.S. and India. Required training hours are based on a tiered approach relative to employee experience and tenure with the maximum required training of 50 hours. In 2021, primary and master servicing staff averaged 50 hours of training per employee, down

Loan and Employee Counts



Source: Berkadia.

Employees in Hyderabad began returning to the office via a hybrid schedule in March 2022 and U.S. employees began returning to a hybrid environment in May 2022.

During 2021, Berkadia hired 90 new employees. The majority of new hires were in Hyderabad (74%) and the financial statement analysis and insurance administration groups saw the most additions, consistent with what Fitch has observed at other rated primary servicer peers.

Berkadia maintains a robust training program led by a corporate trainer. The company makes available a diverse program of training courses for its employees, both in the U.S. and India. The company mandates that each servicing employee complete training hours commensurate with their industry experience.

slightly from 53 hours the prior year. Training courses offered in the past year included an overview on defeasances, title insurance and GSE lending as well as numerous employee development and communication courses. The company encourages employees to enroll in the Mortgage Bankers Association's (MBA's) commercial mortgage servicer programs. Approximately 31% of Berkadia's servicing employees were enrolled in these programs, according to the latest figures.

Berkadia has historically made numerous training-related trips between the U.S. and India, with the most recent ones occurring in 2019 (32 trips) and 1Q20 (two trips) as well as quarterly functional training in India conducted by U.S.-based personnel and audio/videoconference training. However, due to the pandemic, training-related trips continue to be largely conducted virtually.

Berkadia continues to implement its employee development program that seeks to provide an organizational foundation that supports learning and higher performance. As part of this program, Berkadia created four modules focusing on constructive feedback for employees, coaching, aligning expectations and developing employee capabilities. The company maintains Berkadia University, which provides on-the-job training and formalized classes.

Operational Infrastructure

Offshore Operations

Fitch periodically reviews commercial mortgage servicers' offshore captive affiliates or outsource firms that perform various servicing functions or portions of servicing functions to assess the effectiveness of processes and controls. As Berkadia's business model relies heavily on its captive offshore resources, Fitch performed an onsite review of the company's commercial loan servicing operations in Hyderabad in March 2019.

Fitch met with Berkadia's U.S. senior managers and members of the India leadership team responsible for commercial loan servicing to understand: the infrastructure and role of the India operations within the broader company; employee training, education, experience and turnover; the company's disaster recovery and technology infrastructure; and the implementation and oversight of Berkadia policies and procedures for commercial loan servicing. In addition, senior Fitch analysts toured the facilities in Hyderabad and spent time with frontline employees as they performed servicing functions.

Berkadia has over 20 years of offshoring experience through its captive affiliate, Berkadia Services India, and its prior platform located in Ireland. The company's 996 offshore employees are grouped among day (50%), evening (33%), sunrise (7%), split (5%) and rotational (5%) shifts, maintaining continuous operations in a 139,509-square-foot, dedicated office space.

Nearly all servicing functions can be performed in the Hyderabad office, and employees there service loans using a server farm in Ambler, providing greater security and efficiency from a centralized platform. Servicing functions performed offshore include loan boarding, loan administration, escrow account administration, payoff quotes, bank reconciliations, payment processing and financial statement and rent roll analysis. While these servicing functions are predominately performed offshore, Berkadia maintains subject matter experts in the U.S. who are responsible for oversight and quality control, using a mix of technology and ongoing training. In addition to performing servicing functions, the Hyderabad staff supports back-office corporate functions such as: IT development and support, finance and accounts payable, production operations and proprietary lending.

Fitch observed firsthand servicing functions performed by offshore staff and found no discernable differences between domestic and offshore functions, which Fitch attributes to extensive employee training and domestic and offshore management teams that are highly engaged with staff. Fitch also observed the significant role technology plays in supporting offshore operations, such as Berkadia's proprietary Mega Work Flow application and real-time dashboard trending that measures and tracks touch times specific to each servicing function.

Outsourcing

Berkadia does not outsource core servicing functions; however, it does engage third-party vendors to provide tax processing, track UCC filings and perform property inspections similar to other Fitch rated primary servicers.

During 2021, Berkadia hired a diversity, equity and inclusion (DEI) director, formed a DEI committee with membership from across all business lines, and created its first three employee resource groups.

During 2020, Berkadia added 15,000 square feet of office space in Ambler, PA and 55,000 square feet of additional office space in Hyderabad. During 2021, the company completed building out working stations and office spaces in both locations as well as a new conference center with dedicated training rooms in Ambler. Berkadia simultaneously renovated its existing space in Hyderabad while the majority of employees were working remotely.

Vendor Management

Berkadia contracts with vendors primarily for tax processing, UCC filings and property inspections. The company's risk control and compliance group is responsible for vendor management. Berkadia categorizes and reviews its vendors annually and has established a formal process to review vendors engaged by the company. The company's vendor oversight includes reviewing the financial, operational and compliance environments to ensure vendors meet and can continue to meet the terms of their contractual arrangements. As part of this oversight, the company collects third-party audit reports (service organization control [SOC] reports). Work is monitored through service-level agreements and vendor report cards that are created quarterly. Vendors are tested as part of Berkadia's SOC1 and SOC2 audits. Monthly calls are also held with the company's vendors to address any issues that arise.

Information Technology

Berkadia utilizes McCracken's Strategy release 17.6 as its core servicing application. While on an application service provider (ASP) contract with McCracken, Berkadia maintains its servicing data on its own servers, allowing what the company believes to be faster processing speeds. Incorporated into and integrated with Berkadia's systems are workflow technologies through its Enterprise Productivity Management (EPM) suite, a proprietary document-imaging system.

Additional ancillary applications used by Berkadia include:

- Mega Work Flow, a proprietary application designed for automating workflows, managing work requests and tracking turnaround times. Berkadia maintains a quality control module within Mega Work Flow which was recently updated to automate the sampling and testing of financial statement analyses, quality control testing of all loans boarded manually as well as a sample of loans bulk uploaded to Strategy, and quality control testing of a sample of data request changes made to the servicing system post loan boarding. Quality control analysts can see the pending number of reviews as well as out of office statuses to determine workflows and track the turnaround times of quality control reviews. Planned enhancements include managing the workflow and approval process of borrower consent requests and providing real time status updates on outstanding requests to borrowers and investors.
- Financial Analysis Application (FA App), a proprietary application developed within Mega Work Flow which uses OCR and machine learning to ingest and analyze financial statements in any format. Financial statements that come in from the borrower website can be automatically ingested and digitized by the FA App which is used for all property types and currently processes approximately 95% of all financial statements. The application is updated nightly with data from Strategy via a data lake and is also linked to the document management system to show original financial statements. The application contains variance and comment fields where analysts can view performance changes and provide analytical commentary. The quality control module is used to assign reviews to quality control analysts who perform sampling and testing reviews. Loans can be sampled automatically with pre-set conditions (i.e. selecting 10% of loans) or manually by analyst or loan rules (i.e. selecting loans with a DSCR variance of +/- 20%). The quality control analyst can access the financial statement analysis and related information and marks each line with a pass/fail. Recently, Berkadia updated FA App to provide variance comparisons year over year and quarter over quarter and incorporate rent roll data for multifamily properties by using OCR technology. Future enhancements include loan covenant trigger-based financial analysis as well as managing communication with borrowers to resolve variances.
- InvestorView, Berkadia's portal for third-party servicing clients that provides portfolio level dashboards as well as loan-level and property-level views and reporting with customizable export capabilities. Recently InvestorView was updated with a complete user interface overhaul. Servicing clients can view and download loan and payment data such as operating statements, balances for escrows, billing statements, various reserves for capital expenditures, unfunded completion repairs, and debt service, as well as rent rolls.

Fitch notes that Berkadia has been using the same version of Strategy since 2015 while other rated servicers have moved to newer versions. However, Berkadia implemented McCracken's Process Manager to track loan covenant requirements and is testing Strategy release 20 in anticipation of implementing the release by YE 2022.

Fitch notes as a strength Berkadia's commitment to investing significant resources in technology development. Berkadia maintains 22 development teams of five to eight employees each. Berkadia continues to focus on building a single cloud-based database across the company to improve processing times and create a single repository for data. The database is intended to form the foundation for other applications, such as Berkadia's proprietary interactive market analysis, Mega Work Flow and IRIS applications.

- LoanView, a mobile-friendly borrower website that provides access to loan-level information, related documents and electronic billing. LoanView allows borrowers to upload financial statements and other documents such as insurance policies and reserve requests, as well as set up automatic payments on days within their respective contractual grace periods. Recent updates to LoanView included self-service functionality for internal client relation managers to publish reserve disbursement forms as well as streamlining registration, document retrieval, and bill payment processes.
- Know Your Market, an interactive market analysis application which performs a market resiliency analysis for multifamily properties. The analysis incorporates data such as employment, credit scores, multifamily valuations that include rent growth and new supply, and recent multifamily loan performance.
- Microsoft Power BI, used to create interactive reports and dashboards from internal data sources. Berkadia has created a delinquency and servicer advance report which is auto-generated daily displaying data by investor and property type.
- SmartView, a combination of the servicing data warehouse and IBM Cognos Business Intelligence tools that aggregates and extracts data used for operational and management reporting, along with customized reporting.
- EPM/EDM (Enterprise Productivity Management/Enterprise Data Management) – EPM is a proprietary document-imaging system that creates loan documents as images and makes them available to staff for viewing, faxing and printing. The EPM system is used to facilitate approval of cash transactions both within servicing and corporate functions. The EDM system, which is also proprietary, contains the electronic loan file, servicing agreements and related documents. These two systems are integrated using an electronic queuing system to facilitate movement of funds from the requester to the approver and provides an audit trail for all funds moved.
- Asset Surveillance 2.0, which analyzes financial statements, tracks property inspection results and records rent roll data.
- The Investor Reporting Information System (IRIS), a securitized deal-level database and advance tracking application that stores deal information, indicators and parameters for the investor reporting and surveillance groups. The advance module stores advance parameters, tracks loan-level advances (such as principal and interest and escrows) and calculates advance interest where applicable.
- The Reporting Utility Deal Interface (RUDI), an investor reporting tool that allows for loan-level reporting by combining data from Berkadia’s core servicing system with those from its data warehouse.
- Investor Query, a website that provides investors, rating agencies and other interested parties with reports, documents, data and general information pertaining to Berkadia’s securitized transactions.
- CertInView, a proprietary commercial insurance risk-mitigation application that monitors investor requirements, exposures and compliance at the transaction, property and policy levels.

Recent technology initiatives included expanding the use of a proprietary quality control module to automate the review of financial statement analyses and begin testing the module for use with other servicing functions such as new loan boarding and data management, updating the FA App to provide variance comparisons over multiple periods as well as incorporating multifamily rent roll data via OCR technology, and a complete overhaul of the company’s portal for third-party servicing clients.

Berkadia’s servicing systems are integrated via a nightly process that disseminates data from McCracken Strategy into SQL (structured query language) server databases. These databases support CRE Finance Council (CREFC) investor reporting, SmartView, LoanView and Investor Query applications. Berkadia’s reporting platform is automated through IRIS and Strategy. Static daily and monthly reports are run automatically on a scheduled basis. Custom queries, created and run through SmartView, track and monitor servicing information on an as-needed basis.

Strategy is internally supported by Berkadia’s IT servicing support resources and the ASP, McCracken. Berkadia’s servicing support department handles security access requests (user administration) and other application support. McCracken provides application management support as needed. Berkadia’s IT staff consists of 358 employees. The Hyderabad staff is an

extension of the U.S. IT workforce, with responsibilities across all IT areas that include infrastructure, system development and support, customer support, program management and IT management.

Berkadia maintains a comprehensive information security program (CISP) committee, which meets on a quarterly basis to review IT security and cybersecurity risks. The CISP committee was created from the committee of sponsoring organization COSO framework for designing, implementing and evaluating internal controls. Berkadia continues to expand its cybersecurity initiatives including the frequency of phishing campaigns to train staff and mitigate the rise in increased phishing attacks and wire fraud. Berkadia currently runs bi-weekly phishing campaigns. The company finalized role-based access controls for the servicing group by defining and creating roles across the U.S. and India and implementing procedures for all new hires, terminations, and internal transfers within the servicing group.

Disaster Recovery/Business Continuity

Berkadia maintains disaster recovery and business continuity plans that are managed in-house, with all critical functions and applications tested annually. The company maintains its primary data center at a tier 3 facility in Valley Forge, PA. Berkadia has a server cage within the facility managed by Berkadia personnel. Berkadia also maintains a hot site at SunGard in Philadelphia, approximately 18 miles from the operations center in Ambler, where critical servers are backed up and reproduced in real time. The replication of critical data in real time should lead to less than 15 minutes of lost data in the event of a disaster.

Berkadia conducts an annual business impact analysis in which core systems and processes are identified. Systems identified as critical have redundant backup capability and are able to be recovered within 24 hours, the same timeframe for processes deemed critical to operations. These departments are assigned seats at co-location facilities and are tested at the facility annually to ensure all primary and secondary work can be performed at SunGard. Processes not considered critical are prioritized according to work significance. In addition, all employees can work remotely as needed via a VPN (virtual private network) connection that is tested during semiannual business continuity tests.

The operation center in Hyderabad is equipped with a diesel-powered backup generator, as is its hot site in Bangalore, India, approximately 354 miles from the operations center. The Bangalore site maintains dedicated equipment and 94 dedicated seats for each shift (day, night and split shifts), including eight laptop stations. The hot site provides for a backup data circuit and fully equipped business continuity seats that include phone, PC, fax and copying capabilities. Berkadia also has first access to an apartment complex onsite to house its employees in the event of a disaster.

Disaster recovery is tested annually; testing occurred most recently in October 2021 for the U.S. operations and was considered successful.

Internal Control Environment

Berkadia has a strong, comprehensive control environment that incorporates its technology platform and multiple layers of secondary reviews and quality checks, including sampling work performed for accuracy, internal audits and external audits performed by GSEs, life companies, banks and master servicers. The control environment includes dashboard and workflow technology to track employee output and quality; managerial supervision and work review; monthly and quarterly quality control sampling by the risk, control and compliance group; an annual risk assessment created in conjunction with the annual audit plan; and training aimed at reducing operational breakdowns. Additionally, the company is subject to multiple third-party external audits, including Regulation AB (Reg AB), Uniform Single Attestation Program (USAP), SOC1 and SOC2 audits.

Policies and Procedures

Berkadia's risk, control and compliance group, which reports to the CFO and also contains a separate internal audit group, monitors and reviews servicing policies and procedures as necessary. Policies and procedures are formally reviewed by management annually and, when a policy/procedure is updated, the respective manager/supervisor sends the updated document(s) to the risk, control and compliance group. The policies, procedures and related

Berkadia successfully implemented its global business continuity plan worldwide in March 2020 as a result of the coronavirus pandemic. All domestic and offshore employees transitioned to remote working with no disruptions, reflecting the company's detailed and tested plan. Employees recently began returning to the office in a hybrid schedule across the U.S. and Hyderabad offices.

Berkadia's servicing compliance group reviews various parts of the servicing platform on a rotating basis. The group is leveraged to develop senior staff into middle managers. One middle manager with 14 years of industry experience leads the group and has three direct reports and two indirect reports, along with the intention of rotating more staff into these roles.

forms and templates are centralized on the company's intranet, allowing accessibility to all employees.

Fitch reviewed several of Berkadia's policies and procedures and found them to be detailed, providing step-by-step instructions on how to perform specific servicing functions and associated tasks. The policies and procedures manual compares favorably with those of other highly rated servicers and is updated annually and on an as-needed basis. There have not been any material updates in the last 12 months.

Controls and Compliance

Berkadia's day-to-day controls are incorporated into its policies and procedures manual and involve process-driven reviews facilitated through its technology platform, tickler systems, exception reporting, workflow processes and dashboard management. Servicing managers run reports against SmartView to identify process exceptions. Some of the reports run daily include delinquency, maturity, suspense, outstanding financial statement and escrow shortage exception reports. Berkadia also runs data validation reports from SmartView to ensure servicing data is properly captured.

The company also performs quality control checks through random sampling to determine if processes and procedures are performed as expected. Subject matter experts (experienced employees who are not managers) sample generally 5%–8% of the work volume processed in a given month. Results are used by managers as part of the employee performance development process. The risk, control and compliance group also performs monthly cash control testing of cash disbursements. The risk, control and compliance group is comprised of 14 members, seven of whom are stationed at the Hyderabad office.

Berkadia's transformation group functions as a secondary level of review, aggregating data from Mega Work Flow to measure productivity, quality control and process deviations or outliers on a monthly basis. The transformation group generates dashboards to track productivity, quality and spare capacity among employees. These dashboards are generated from data captured in Mega Work Flow. Dashboards are reviewed monthly with operational managers and senior servicing managers.

Internal Audit

Berkadia has a dedicated internal audit team comprising three full-time auditors who report directly to the company's audit committee and administratively to the head of risk controls and compliance. The internal audit group performs operational audits on an annual rotation based on an annual risk assessment. Each functional area is risk-rated based on qualitative and quantitative factors and internal audits are performed on a 24-month rotation, but may not touch all servicing functions. The annual audit plan is submitted to and approved by the company's audit committee comprising executive management.

Berkadia performs an annual risk assessment at the enterprise level coordinating the assessment across all business units. Fitch reviewed the most recent risk assessment which covered: employees, cyber and data security, cash movement/fiduciary risk, regulatory compliance, innovation, technology, reputational risks, bad loans, forbearance, and fraud, as well as servicing. The assessment includes an examination of compliance, reputational, operational, liquidity, credit, market and vendor risk with servicing functions. The assessment is robust in scope as it identifies the potential risk of specific servicing functions, their potential impact and potential mitigants to derive an overall risk rating. The most recent assessment included insurance, banking administration, cash processing and management, advances, reserves, taxes, and investor reporting among others and concluded with 11 moderate and 10 low/very low potential servicing risks.

The internal audit group last performed an audit on servicing advances and forbearances during 2020 which was completed in February 2021. Fitch reviewed a copy of the audit which resulted in a satisfactory rating with no findings and one observation related to user access to the IRIS system. In 2019, internal audit performed an audit on servicing accounting, cash movement and wires which sampled cash movement transactions and domestic wire transactions and resulted in satisfactory outcomes with minimal findings. In 2018, internal audit performed an audit on servicing insurance and reserves and both audits resulted in satisfactory outcomes with minimal findings. The insurance audit covered insurance policies, insurance expiration date

Berkadia maintains a comprehensive reporting process to manage output from its servicing operations, using data validation reports, exception reporting and dashboards.

The company centralized know your customer and Office of Foreign Assets Control reviews to ensure consistency in searches and document retention and implemented a new due diligence monitoring tool where individuals and companies are logged and continuously monitored. Berkadia also revised and updated its compliance antifraud training to increase employees' awareness of potential fraudulent activity and required steps.

Monthly, Berkadia's internal audit group randomly selects 100 cash movement transactions to determine if approvers are authorized and approving within the limit of their signing authority, if there is adequate supporting documentation, and if there are any irregularities in the movement of cash.

Berkadia performs an annual risk assessment at the enterprise level examining all operations of the company including core servicing functions. There were no new internal audits performed on servicing operations since Fitch's last review; however, four audits of the servicing group are planned for 2022 focusing on payoffs, loan closings, payments, and construction loans.

tracking, force-placed insurance procedures/correspondence and the loss claims process. The reserves audit covered reserve onboarding and the monitoring of reserves and reserve disbursements.

External Audit

Berkadia is subject to annual Reg AB and USAP audits on its portfolio as a primary and master servicer. Fitch reviewed the annual Reg AB and USAP reports issued by Grant Thornton on Feb. 15, 2022 without any findings. USAP and Reg AB testing is global and incorporates both the U.S. and India platforms.

Berkadia also states that it is subject to numerous reviews and audits throughout the year from its clients, including the GSEs, life companies and banks. Additionally, master servicers send auditors to perform subservicer audits. Public accountants perform the annual SOC1 and SOC2 audits. The SOC1 report is an audit of the entire servicing platform relevant to internal controls over financial reporting and the related technology. The SOC2 report details the control environment with respect to the company’s internal controls involving security, availability, processing integrity, confidentiality and privacy.

Primary Servicing

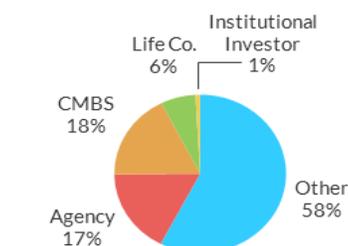
As of Dec. 31, 2021, Berkadia’s primary servicing portfolio consisted of 20,090 loans totaling \$337.1 billion, including 3,535 securitized loans totaling \$66.6 billion. Berkadia continues to grow its securitized primary servicing portfolio (with an external master) driven by Freddie Mac K-series deals; the portfolio is up 23% by loan count since 2019.

Berkadia entered the SFR market in 2018, adding seven Freddie Mac SFR transactions collateralized by 5,675 homes with an outstanding balance of \$643 million. The company also performs interim servicing for SFR loans pre-securitization and is currently named primary and master servicer on seven SFR transactions collateralized by 545 loans on 16,200 properties totaling \$1.7 billion.

Full servicing for SFR loans includes taxes, homeowners association (HOA) fees, insurance, escrow, reporting, financial statement analytics, watchlist management inspections, billing and payment processing, customer service and asset management. The same technology for primary servicing assignments is utilized for SFR; Freddie Mac’s document management and property reporting systems are used for reporting requirements on Freddie Mac loans.

As of Dec. 31, 2021, Berkadia serviced 331 SOFR loans totaling \$9.5 billion.

Primary Servicing Product Type (As of Dec. 31, 2021)



Note: Percentages based on number of loans.
Source: Berkadia.

During 2021, Berkadia performed eight bulk transfers consisting of 498 loans totaling \$8.3 billion. In aggregate, Berkadia boarded 3,750 loans totaling \$72 billion during 2021 while employees were working remotely. The company performs bulk transfers more frequently than rated peers.

Berkadia’s risk, control and compliance department performs new loan setup and cash control testing monthly.

Primary Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
Securitized					
No. of Transactions – Primary Servicer	629	13	559	11	502
UPB – Primary Servicing (\$ Mil.)	66,628.6	26	52,795.3	11	47,762.7
No. of Loans – Primary Servicing	3,535	7	3,311	3	3,228
Non-securitized					
UPB (\$ Mil.)	270,444.7	8	249,922.8	8	231,240.3
No. of Loans	16,555	(2)	16,945	11	15,284

UPB – Unpaid principal balance. Note: Dec. 31, 2021 primary servicing non-securitized numbers include 3,512 loans that are limited subservicing.
Source: Berkadia.

New Loan Setup

For loans originated by Berkadia, a report is generated identifying loans that have closed, and loan packages are reviewed upon receipt. Prior to boarding a loan, missing documents are tracked in the new loan boarding database, and outstanding documents are tracked via a tickler.

For externally originated loans, the new loan boarding team is notified regarding upcoming transfers or acquisitions, and prior servicer data files are forwarded to new loan boarding for scrubbing, formatting and electronic boarding. Loan document packages are forwarded directly to the workflow management team for imaging. Loan boarding will upload all loans to a test environment to ensure data validity. After passing an edit check in a test environment, loans are loaded into the production environment, with missing information requested from the

originating/transferring party. Exception reports are generated from SmartView to track missing documents.

Loans originated by Berkadia are generally boarded within 10 days of receipt of the complete loan package or, in the case of transferred loans, within five days of closing the transaction. Monthly reports are prepared to measure the time taken to obtain loan packages after closing and the time taken to board loans once packages are received. All loans boarded into the servicing system are subject to edit checks and a quality control sampling.

Accounting/Cash Management

Loan payments are expected to be posted within 24 hours of receipt by the payment processing team. Payments posted are batched in Strategy and reconciled by a bank reconciliations team to daily data transmissions received from banks. Reconciliations of accepted and rejected payments are completed daily to ensure rejected items were managed appropriately and funds were applied properly. Payment clearing, disbursement clearing and selected critical accounts are reconciled each day. All other reconciliations are completed within 30 days of statement cutoff.

Reconciliations are assigned and completed through workflow in the EDM system. Reconciliations are reviewed and approved with a signature time and date stamp into the workflow by an approver who is separate from the preparer. All critical reconciliations and a 10% sample of the remaining population move into a second approval queue for review and approval by a manager who is separate from the preparer and first approver.

Berkadia currently services 442 active cash-managed loans. Cash management and loan agreements are reviewed by a manager or senior analyst in the dedicated cash-managed loans group. Each cash-managed loan is assigned to an analyst and placed on his or her calendar by distribution date, with ticklers established for each upcoming distribution date. Berkadia uses electronic waterfall templates that are approved prior to the disbursement of funds. All fund disbursements require dual signatures.

Lockbox accounts are opened pursuant to the cash management agreement or cash management section of the loan agreement as hard or soft lockbox accounts. For springing lockboxes, trigger events are communicated to the cash-managed loans group, and loan documents are reviewed for trigger events and the appropriate cash management procedures. In the event a lockbox is triggered, the client relations manager notifies the borrower of the trigger event and the new procedures for payment.

Investor Reporting

The investor reporting group generates CREFC investor reporting packages (IRPs) via IRIS, which aggregates loan data from Strategy and SmartView. IRIS also allows analysts to upload data from special servicers and subservicers. RUDI performs automatic data checks, including reconciliations between the calculated scheduled ending balance and the balance maintained in Strategy. An investor reporting analyst reviews and researches any differences or exceptions noted by the system and makes adjustments as needed.

In addition to the data checks performed by IRIS, Berkadia has a dedicated group within investor reporting that reviews each transaction's CREFC IRP, either on or prior to the reporting date. After the reporting date but before the distribution date, the research team within the investor reporting group will review the transaction report for discrepancies before posting the IRP to the investor query website.

Escrow Administration

Berkadia performs escrow analyses annually for escrowed loans, typically when annual taxes have been paid. An escrow analysis report is prepared monthly to determine the workload for a particular month, with the final analysis run at the end of the month. Taxes for non-escrowed loans are tracked by a third-party vendor that provides reports for uploading into Strategy; these reports are also verified for accuracy.

% Portfolio Escrowed for:

Taxes	55
Insurance	49

Source: Berkadia.

% Payment Collections Via:

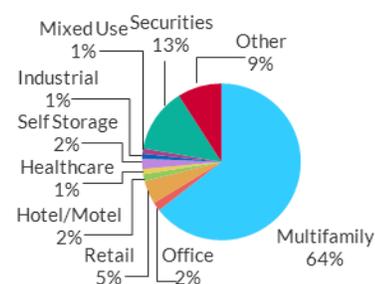
ACH	65
Wires	27
Checks	8

ACH - Automated clearing house.
Source: Berkadia.

During 2021, Berkadia transitioned \$1.7 billion held in over 2,000 bank accounts (including corporate accounts and custodial accounts and cash managed loans) to new banking relationships over a four-month period. The company also strengthened controls over the movement of cash by centralizing the secondary approval of wires within its cash and control team from line managers.

During the past 12 months, Berkadia had two instances of a report restatement, consistent with the last review.

Securitized Property Type (As of Dec. 31, 2021)



Source: Berkadia.

For insurance, payments are verified on non-escrowed loans upon analysis of the annual renewal. A paid receipt confirmation is requested from the agent on an annual basis. In addition, Berkadia verifies that the lender is named as mortgagee/loss payee/additional insured so that if a notice of cancellation for nonpayment is issued, the company will receive a copy and the notice can be addressed accordingly. Berkadia monitors due dates for both escrow and non-escrow insurance coverage with reports generated from Strategy. To track insurance, Berkadia uses CertInView, its proprietary insurance monitoring tool that tracks insurance at the portfolio, loan, property and policy levels.

Reserve requests are imaged in EDM and uploaded onto a SharePoint site. The requests are assigned to a processor responsible for reviewing and processing the request. Once the review is completed, the analyst will submit the request for managerial approval.

UCC filings are loaded into Strategy for tracking purposes. In conjunction with their respective vendors, the UCC groups in Ambler and Hyderabad will continue, terminate, amend or assign the appropriate filings. Berkadia prepares continuations within six months of expiration. Reports are used to monitor UCC due dates and compliance and are managed through monthly dashboards. In addition, quality control testing is performed on the work to ensure accuracy and performance is measured through the dashboards.

Asset Administration

The client relations group is responsible for monitoring delinquent payments through daily reports generated from SmartView. At the end of the grace period, the client relations manager makes at least three attempts within 30 days to contact the borrower. All attempts are noted in Strategy. Delinquency letters are then generated, and when the loan is two payments delinquent, or in accordance with the loan documents, a default letter is generated and sent to the borrower. The loan is then coded as a default in Strategy.

The loan administration group is responsible for the collection, analysis and reporting of operating statements and rent rolls. The client relations group is leveraged for contacting borrowers who have not submitted financial statements. Berkadia typically takes 30 days to spread financial statements from the date of collection. Servicing agreements and PSA requirements are tracked in asset surveillance, and performance is monitored through weekly exception reporting. For rent rolls, Berkadia’s dedicated rent roll team uploads rent rolls to store electronically and performs a full rollover analysis annually. As of May 31, 2021, Berkadia collected 96% of year-end financial statements and reported 100% by July 31, 2021.

Berkadia’s surveillance department utilizes the CREFC guidelines for watchlist reporting. Internal guidelines focus greater attention on loans with debt service coverage ratios below 1.0x, upcoming maturities, borrower-expressed hardships and other significant or large loans in the pool. The surveillance group utilizes RUDI for watchlist reporting. A surveillance analyst reviews watchlist loans every month.

Property inspections are performed in accordance with servicing agreements stored in Investor Matrix. Approximately 99% of site inspections are outsourced, and the company’s property inspections department reviews all of them for quality and completeness. Berkadia issues follow-up letters for deferred maintenance items, which are tracked until cleared in Strategy’s asset surveillance module. Unresolved deferred maintenance items are reported to investors.

Berkadia contacts borrowers at 12 months and again at six months prior to maturity in an attempt to understand their intentions and whether they plan to refinance.

Customer Service

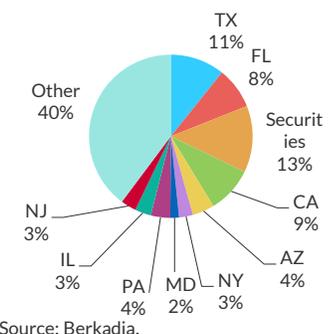
Client relations managers are the main points of contact for all primary and master/primary borrower inquiries, which can be made by phone, e-mail or online chat via Berkadia’s customer website, LoanView. The site provides 24-hour online access to loan-level information, transaction histories, borrower notices, monthly billing statements and related documents so that borrowers can make payments, obtain balances, review reports and export information to Excel. Over 85% of Berkadia’s borrowers use LoanView.

Borrower and payoff requests are received by a client relations manager who then reviews the loan documents and the PSA to determine permissibility. The required documentation is then

Berkadia incurred 25 tax penalties totaling approximately \$73,000 in 2021, compared to 21 penalties totaling \$102,000 in 2020 and nine penalties totaling \$23,000 in 2019. Penalties continue to represent a small fraction of the total tax payments processed. The company has not had any lapsed UCCs within the past 36 months.

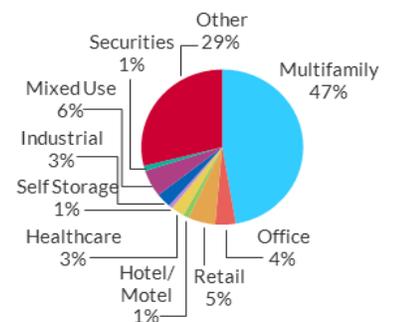
All property inspections, which are generally performed by a third-party contractor, undergo a quality control review by the company’s property inspections department.

Securitized Property Type – Top 10 States
(As of Dec. 31, 2021)



Source: Berkadia.

Non-Securitized Property Type
(As of Dec. 31, 2021)



Source: Berkadia.

processed by the appropriate business unit. The client relations manager will monitor progress via SmartView and Mega Work Flow and correspond with borrowers as appropriate.

The payoff processing unit calculates the payoff amount, which is verified and approved by two approvers within the payoff group. Upon final approval, the client relations manager is notified via e-mail that the quote is available within the imaging system for distribution to the borrower. Requests for payoffs are turned around within 48 hours.

Berkadia measures customer satisfaction through an annual electronic survey sent to a subset of borrowers requesting feedback and ratings on the various services and systems provided. A summary report of the feedback is distributed to senior management and client relations managers are responsible for following up on any comments or issues.

Master Servicing

As of Dec. 31, 2021, Berkadia was the named master servicer on 46 securitized transactions encompassing 316 loans totaling \$6.5 billion, up 32% (by UPB) and down 50% (by count) from YE 2019 due to predominately to new issue SFR and SASB appointments.. Berkadia’s master servicing portfolio previously experienced multiple years of runoff given the concentration in legacy securitized deals (51% of the portfolio by transaction count). The company selectively bids on new issue transactions but multiborrower CMBS and Freddie Mac CME transactions are not a current focus. Fitch notes that the securitized master servicing market is highly competitive and concentrated among four active master servicers. Fitch also notes that Berkadia’s continued assignment on SFR and other transactions partially mitigates the runoff in the master servicing portfolio. Berkadia also leverages its master servicing infrastructure to support clients requiring subservicer oversight, data aggregation and investor reporting.

Master Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
No. of Transactions – Master Servicer	46	(12)	52	(16)	62
UPB – Master Servicing (\$ Mil.)	6,467.9	72	3,761.2	(23)	4,901.7
No. of Loans – Master Servicing	316	(28)	439	(31)	638
No. of Primary Servicers Overseen	5	(50)	10	25	8

UPB - Unpaid principal balance.
Source: Berkadia.

Primary Servicer Oversight

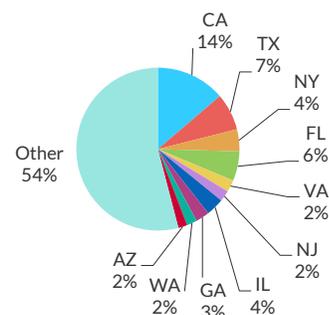
A client relations manager is assigned as the primary contact for subservicers and is responsible for monitoring subservicer financial statement collection and analysis, investor reporting remittance timeliness and accuracy and compliance with USAP and Reg AB reporting requirements. The client relations manager also performs monthly reporting on the subservicer portfolio and shares the results with the risk, control and compliance group.

Financial reporting from subservicers is entered into Strategy and analyzed automatically. The remitting and reporting practices of each subservicer are monitored and reviewed on a monthly basis. Receipt of funds and reports is matched against an electronic calendar to monitor compliance. All remittances, reporting and bank reconciliations are reviewed based on the individual contract requirements. On a quarterly basis, financial statement collections and analysis are monitored to ensure compliance with all PSAs, and property inspection data are reviewed. In addition, each subserviced loan is fully loaded into Strategy and updated monthly to ensure the servicing record is up-to-date and intact.

Berkadia’s internal audit group performs onsite audits and desktop audits of subservicers. Of Berkadia’s five subservicers, one received a desk top audit in 2021, two received desktop audits in 2020 along with one onsite audit in 2018, while two were subject to desktop audits in 2016 that were completed in 2017. No audits of subservicers were initiated in 2017 or 2019. There are currently three subservicers who have not received a desktop or onsite audit within the last three years; Berkadia states that no reviews were performed since few loans were being subserviced, while some of the loans were defeased.

Non-Securitized Property Type – Top 10 States

(As of Dec. 31, 2021)



Source: Berkadia.

Berkadia performs fewer primary servicer audits than other active and highly-rated master servicers and has the smallest subservicer portfolio reflecting the limited experience with multiborrower CMBS and CME transactions. Annual primary servicer reviews, inclusive of regular onsite audits, are a best practice. The largest subservicer (73% of all subserviced loans) last received an onsite audit in 2018 and a desktop audit in 2020. There was one desktop audit performed in 2021 compared to two in 2020. No subservicer audits were performed in 2019.

Berkadia’s advance committee is comprised of the executive vice president of Berkadia; the senior vice president of asset management; the vice presidents of investor reporting and financial analysis; and analysts from the risk, financial analysis and CMBS asset management teams.

Advancing

Servicing advances are tracked in Strategy and in a dedicated database that tracks the advances at a loan level. Principal and interest advances are also tracked in a separate database by the investor reporting group. These systems are compared monthly to ensure information is current and accurate.

As master servicer, Berkadia's recoverability decisions consider the special servicer's business plan and resolution strategy. Local market conditions such as occupancy and rental rates, inventory, competition and general economic conditions within the area are also considered. The most recent appraisal is reviewed for reasonableness and possibly a broker's opinion of value. All of this information is summarized in an advancing memo, which is prepared and updated monthly for each loan with an outstanding advance. Discussions are conducted with the special servicer to monitor the disposition process and expenses incurred to date. Potential future property protection expenditures are considered when determining the overall advance exposure amount and total advances outstanding for the transaction.

The securitized portfolio manager organizes a monthly advance meeting for loans with the greatest exposures. All loans with advances are presented to the advance committee a minimum of once every 90 days, and volatile loans are discussed monthly. A determination regarding whether to continue advancing, stop future advancing, or stop future advancing and recover a portion or all of the current advances from the trust cashflow, is made. When a determination is made to cease advancing on a loan, it is then classified as nonrecoverable.

Berkadia currently has approximately \$58.6 million in outstanding advances due mainly to the coronavirus pandemic. Advances have declined from a peak of approximately \$74 million.

Investor Reporting

Communication with special servicers occurs at a minimum every 90 days and loans that have higher risk factors are discussed monthly. All loans with advances are presented to Berkadia's advance committee at a minimum every 90 days with an update from the special servicer on the resolution strategy, timeline, and collateral value. Collateral valuations are generally obtained annually via appraisal, BOV or third-party opinion of value. Berkadia contacts the special servicer for changes in collateral value during the time between formal value updates.

Berkadia's investor reporting group is responsible for monthly investor reporting via the IRIS system. The company maintains good quality controls over remittance reporting with multiple reviews of remittance reports prior to distribution. Investors can view the most current loan and property details on Berkadia's Internet portal, Investor Query. The site includes all CREFC reports and allows users to view operating statement analysis reports, net operating income worksheets, borrower financial statements and rent rolls.

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