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Morningstar Credit Ratings Assigns MOR CS3 Ranking to Oxane Partners Limited as a United Kingdom-Based Commercial Mortgage Servicer; Forecast Stable

Nov. 21, 2019—Morningstar Credit Ratings, LLC (DBRS Morningstar) today assigned its MOR CS3 commercial mortgage servicer ranking to Oxane Partners Limited. Established in 2013, Oxane has three principal business lines: transaction advisory, technology services, and portfolio management, which launched in late 2016 and encompasses loan servicing. Oxane is headquartered in London, United Kingdom with an operations center in India.

Serving in specialized master-servicer and primary/subservicer roles, Oxane has cumulatively managed 25 transactions in the U.K. and other European countries, including several nonperforming loan pools, for institutional balance-sheet lenders and investment-management firms. With an expanding client base, the company's work and expertise focus on asset/transactional surveillance, data validations, cash account reconciliations, servicer oversight, and consolidated reporting for complex or syndicated structures.

While Oxane's responsibilities have not yet covered the full range of servicing functions, it recently obtained its first assignment as a facility agent for the senior lender in a loan-on-loan structured transaction in which Oxane's duties have expanded to include payment processing and investor remittances. The company should serve effectively based on its command of the transaction's requirements, and its technology, controls, and other work assignments. Oxane has not serviced commercial mortgage-backed transactions but noted that it has the European investor reporting package templates if needed. Oxane has had limited borrower interaction but expects this to increase.

The assigned ranking also reflects these other considerations:

- Professional Depth and Operational Stability: Managers have experience gained at financial institutions in Europe and the United States in areas including commercial real estate loan administration, structured-finance transaction underwriting/management, quality control, and data analytics. Several servicing managers also are alumni of U.S. servicer Berkadia Commercial

Mortgage. While servicing managers average approximately 10 years of experience, the staff's average experience is three years. With more than 90 employees, Oxane has been growing year-over-year. It incurred no management turnover in the past few years, and staff turnover has been moderate. Oxane has a selective recruitment program and a sound training function.

- Organizational Structure: The 12-person portfolio-driven servicing team suitably leverages cross-training and web-based collaboration tools. Oxane will likely need to increase its division of labor and modify authority delegations to ensure efficiency as it gains new assignments covering more servicing tasks and commensurately adds staff.
- Technology: Oxane's proprietary technology is a core strength. While some clients have engaged Oxane only for its technology platform, Oxane provides technology-application access to its servicing clients. Oxane CREST, the principal application for commercial mortgage servicing and asset management, demonstrates robust functionality and automation. The application, which has a borrower reporting module and offers detailed transaction monitoring, has met the requirements of a Service Organization Control 1 Type II examination. The technology platform also had a satisfactory security-controls audit and penetration testing in 2018. The company has acceptable practices for data storage and backup, network management, and disaster-recovery readiness, which leverage cloud-based computing through a third-party service provider.
- Internal Audit and Controls: Oxane's sound audit regimen centers on annual SOC 1 Type II examinations. Another recent audit deemed the company to be compliant with the enterprise risk framework established by the Committee of Sponsoring Organizations of the Treadway Commission. Oxane has structured its procedures and controls around these COSO guidelines. Audit reports have been satisfactory overall. Oxane also plans to hire an audit/compliance manager to conduct additional audits and oversee external auditors.
- Portfolio Surveillance: Through its technology platform, Oxane's portfolio surveillance function is another operational strength. The company monitors asset and transaction-level performance with a demonstrated ability to provide comprehensive analytics and reporting. Oxane's mandates have not involved borrower consents, insurance administration, or loan collections. However, managers have experience in these areas. Oxane also is engaging insurance consultants to support that function.
- Procedural Documentation: Oxane has adequately documented policies and procedures. As its duties broaden, enhanced procedural documentation for certain areas could benefit the company in supporting best practices from a controls and training perspective.

As of June 30, 2019, the servicing portfolio, including commercial and residential mortgages, small-business loans, and unsecured credits, contained 71,403 loans with an unpaid principal balance of €2.03 billion involving 23 transactions.

The real estate portfolio contained 4,623 loans (5,776 properties) with a UPB of €1.03 billion. By property count, approximately 8% of the real estate portfolio was in the U.K., 85% was spread over five other European countries, and the remainder was in the U.S. Although 90% of the real estate portfolio by property count, and 58% by UPB, consisted of multifamily and other residential assets (most of which were nonperforming), the portfolio included loans secured by retail, industrial, office, mixed use, and lodging properties.

DBRS Morningstar's operational risk assessments methodology and all published reports are available at www.morningstarcreditratings.com.

DBRS Morningstar's ranking, forecast, and assessments in this announcement are not assessments of the creditworthiness of an obligor or a security and thus are not credit ratings subject to NRSRO regulations.

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