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Centrale Attivita Finanziarie Residential Special Servicing Ranking Affirmed; Non-Real-Estate Related Ranking Raised

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OVERVIEW

- We have affirmed our overall ABOVE AVERAGE ranking on CAF as a special servicer of non-performing residential mortgages in Italy. The outlook on the ranking is stable.
- We have raised to ABOVE AVERAGE from AVERAGE our ranking as a special servicer of non-performing personal non-real-estate related loans in Italy. We have revised our outlook on the ranking to stable from positive.
- CAF is an independent third party servicer based in Italy that works on several asset classes.

MILAN (Standard & Poor's) Dec. 23, 2015--Standard & Poor's Ratings Services has affirmed its overall ABOVE AVERAGE ranking on Centrale Attività Finanziarie S.p.A. (CAF) as a special servicer of non-performing residential mortgages in Italy. Our outlook on this ranking is stable. At the same time, we have raised to ABOVE AVERAGE from AVERAGE our ranking on CAF as a special servicer of non-performing non-real-estate related loans. We have revised our outlook on the ranking to stable from positive.

CAF is a special servicer of residential mortgages and non-real-estate related loans established in 2004. In May 2015, the founding manager sold it to Lone Star Funds, a private equity firm that invests globally in real estate, equity, credit, and other financial assets. The sale did not result in any change in CAF's strategic approach and operating model as the new parent company maintained the management team, staff, and business model. In our

view, this should ensure CAF's business continuity. Therefore, CAF's core business remains the special servicing of residential mortgages and non-real-estate related loans. CAF also supplies pricing and due diligence advisory services to investors. CAF aims to achieve substantial revenue growth by attracting new business in its core area and expanding its activity further into small and midsize enterprises (SMEs) and corporate loans.

Our rankings are limited to the company's ability to service non-performing residential mortgages and personal non-real-estate related loans.

MAJOR RANKING FACTORS

- CAF's overall portfolio has continuously grown since the company was established, through opportunities in the residential mortgage and non-real-estate related market. In June 2015, CAF managed a total portfolio of €7.2 billion, up from €5.2 billion as of December 2014. Of the portfolio, 21% is residential loans. The servicer has also reported a busy pipeline, so it expects further portfolio growth. In our view, this demonstrates the company's ability to identify market trends and define development strategy accordingly.
- In May 2015 Lone Star Funds, a global private equity firm, acquired the company from the founding manager and former CAF chairman who still sits in the board of directors as vice president. Lone Star Funds appointed the former chief operating officer as the new chief executive officer and confirmed the company's management team at senior and middle levels to ensure continuity in the strategic and operative approach of the company. The new parent company also maintained the original internal controls model, which is well organized and reliable, in our view. Furthermore, CAF actively managed the change into a captive servicer, meeting all of its current and potential clients to handle any potential concerns. CAF has reported that it successfully retained all existing clients and also attracted new ones since our previous review (see "Centrale Attivita Finanziarie Residential Special Servicing Ranking Raised; Non-Real Estate Debt Ranking Assigned," published on July 14, 2014). Although we do not believe that the acquisition will materially affect CAF's servicing capabilities, we will continue to closely monitor any effects on strategy and results.
- CAF continuously invests in its IT system and it has already planned further improvements. The internal IT system plays a crucial role in the company's loan management activities. The IT system supports the special servicing workflow from boarding to closing, including communication with external providers who work on it through secure web access. This allows the company to produce detailed and insightful reports for its clients and for internal business intelligence purposes.
- The loan management functions and servicing workflows have not materially changed since our previous review. In 2015, CAF introduced an internal manager who supports and coordinates the external lawyers and the internal managers working on extrajudicial resolution in the residential mortgage workflow. This has aligned the residential mortgage workflow with that for non-real-estate related loans. CAF considers that this will

help it to achieve a more integrated workflow between judicial and extrajudicial phases, which will make the workflow more effective than in the past. We will closely monitor the effect of this change in the company's special servicing results.

- Despite the shallow recovery of the Italian economy and the rapid increase in the portfolio balance, CAF reported satisfactory collections, which are in line with its business plan for both asset classes.

OUTLOOK

We have revised to stable from positive our outlook on our ranking on CAF as a special servicer of non-real-estate related loans after raising the overall ranking this year. Our outlook on our ranking on CAF as a special servicer of residential mortgages stable is stable. In our opinion, CAF has a robust IT system, a management team with relevant experience, and well-trained staff.

MANAGEMENT AND ORGANIZATION

We have affirmed our ABOVE AVERAGE subranking on CAF for management and organization as a special servicer both for residential mortgages and non-real-estate related loans. The organizational structure is well-designed, with clear reporting lines and responsibilities, which should help CAF to easily absorb further growth. The company has sound corporate governance and a well-organized internal control system that is independent from operations.

LOAN ADMINISTRATION

We have affirmed our ABOVE AVERAGE subranking on CAF for loan administration as a special servicer of residential mortgages. We have raised to ABOVE AVERAGE from AVERAGE our subranking on CAF for loan administration as a special servicer of personal non-real-estate related loans. CAF has a clearly defined workflow for each asset class and has shown the ability to achieve business plan targets for both asset classes. As of June 2015, external street collectors managed almost 17% of the overall non-real-estate related portfolio, i.e., the majority of the consumer finance loans as the specific nature of those credits makes the field agents' activity more effective.

FINANCIAL POSITION

We consider CAF's financial position to be SUFFICIENT. We have reviewed CAF's consolidated financial statements and management projections and consider that there is sufficient financial strength to sustain the company's servicing operations for the next 12 to 18 months. This opinion does not replace a senior debt or counterparty credit rating.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard

& Poor's Select Servicer List, April 16, 2009

- Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

Related Research

- Servicer Evaluation: Centrale Attivita Finanziarie S.p.A, Nov. 10, 2014
- Centrale Attivita Finanziarie Residential Special Servicing Ranking Raised; Non-Real Estate Debt Ranking Assigned, July 14, 2014
- Select Servicer List, published monthly

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