

CAF SpA Residential And Non-Real Estate Special Servicing Rankings Affirmed

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OVERVIEW

- We have affirmed our overall ABOVE AVERAGE rankings on CAF SpA (CAF) as a special servicer for nonperforming residential mortgages and non-real-estate-related loans in Italy.
- The outlooks on both rankings are stable.
- CAF is a third-party special servicer based in Italy that works on several asset classes.

LONDON (S&P Global Ratings) Oct. 6, 2017--S&P Global Ratings has affirmed its overall ABOVE AVERAGE rankings on CAF SpA (CAF) as a special servicer for nonperforming residential mortgages and nonperforming non-real-estate-related loans in Italy. Our outlooks on these rankings are stable.

CAF is a special servicer of residential mortgages, commercial loans, 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. While CAF's core business remains special servicing, the company also supplies pricing and due diligence advisory services.

As of June 2017, CAF managed a total portfolio of €7.59 billion, including €1.24 billion of residential mortgages in special servicing and €4.38 billion of non-real-estate-related debt in special servicing. The company employs 205 staff, the majority of which are based at its Rome headquarters. CAF also has

a branch in Milan and another in Orte (75 kilometers from Rome) that opened in July 2017.

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

MAJOR RANKING FACTORS

- CAF's total portfolio has registered steady growth since inception until this year, when it marked a slight decrease because two portfolios were transferred to the captive servicer acquired by the portfolio's owner. Nevertheless, CAF has a busy pipeline and expects to replenish its assets to meet its 2017 growth targets. In our opinion, the company is well-positioned to accomplish its strategic objectives.
- In January 2017, the company appointed a new chief operating officer (COO), who has solid experience in the field, after the former COO left. Following his appointment, the company specialised its operations by client instead of by size, as before. Furthermore, since 2016, CAF has established dedicated teams for real estate, due diligence, and reporting. In our opinion, this operative structure enables greater scalability.
- In 2017, the company also expanded the executive teams and appointed a head of human resources to a newly created position in line with business growth. As a result, the company put a greater focus on people management. Furthermore, it is building a new, enhanced version of its loan management system, which will be finalized by 2018. These are positive changes that, in our view, could enhance operational efficiency once fully consolidated.
- Finally, starting in March, the company reinforced its internal control model by outsourcing the risk management function, which was formerly part of the compliance team.

OUTLOOK

Our outlooks on the rankings on CAF as a special servicer of residential mortgages and non-real estate-related loans are stable. In our opinion, CAF is making reasonable enhancements to its organization and we believe that it will continue to achieve results in line with past performance.

MANAGEMENT AND ORGANIZATION

We have affirmed our ABOVE AVERAGE subranking on CAF for management and organization as a special servicer of residential mortgages and non-real-estate-related loans. CAF has exceeded its business targets over the past three years and expects to grow further in the future. The organization is evolving accordingly, with a larger management team, better operations specialization, and enhanced internal controls. Turnover has been tamed, and training and development remain a key focus. Finally, the implementation of a new version of the IT system will offer better functionality and support scalability.

LOAN ADMINISTRATION

We have affirmed our ABOVE AVERAGE subranking on CAF for loan administration as a special servicer of residential mortgages and non-real-estate-related loans. CAF has a clearly defined workflow for each asset class and it has achieved performance targets for both asset classes. Moreover, there are multiple controls in place to oversee external vendor performance.

FINANCIAL POSITION

We consider CAF's financial position to be SUFFICIENT based on the last available financial statements. This opinion does not replace a senior debt or counterparty credit rating.

RELATED CRITERIA

- Criteria - Structured Finance - Servicer Evaluations: Revised Criteria For Including RMBS, CMBS, And ABS Servicers On Standard & Poor's Select Servicer List, April 16, 2009
- Criteria - Structured Finance - Servicer Evaluations: Methodology For Evaluating And Ranking Small-Balance Commercial Mortgage Servicers, July 23, 2007
- Criteria - Structured Finance - Servicer Evaluations: Servicer Evaluation Ranking Criteria: U.S., Sept. 21, 2004

RELATED RESEARCH

- Servicer Evaluation: Centrale Attivita Finanziarie S.p.A, March 22, 2016
- Centrale Attivita Finanziarie Residential Special Servicing Ranking Raised; Non-Real Estate Debt Ranking Assigned, Dec. 23, 2015
- Select Servicer List, published monthly

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