

Bellwether Enterprise Real Estate Capital, LLC

Bellwether Enterprise Real Estate Capital, LLC (Bellwether, or the company) is a CRE finance company that acts as a correspondent lender and servicer for life insurance companies, pension funds and CMBS lenders. It is also a direct lender for government-sponsored entities (GSEs) Freddie Mac and Fannie Mae, as well as an approved lender for the Federal Housing Administration (FHA) and Rural Housing Service (RHS).

The company has grown significantly through various acquisitions and lift-outs in recent years to increase originations nationally. Commensurate with growth and increased loan originations, for which the company retains servicing for approximately 70%, the primary servicing portfolio has increased 17% by balance from YE18 to March 2020. Bellwether has increased staff through acquisitions and new hiring to support the growth and undertaken multiple technology initiatives to drive efficiency.

Bellwether has expanded its presence in 2020, opening one new loan origination office in Grand Rapids, MI, bringing the total number of regional offices to 30 markets, seven of which include loan servicing staff. Additionally, Bellwether moved its headquarters in 2019 to a larger office space in Cleveland to support its growing employee base of more than 300 employees.

Also in 2020, Bellwether formed a strategic partnership with Fifth Third Bank, allowing it to offer construction, affordable housing and short-term debt products to its clients. Through the partnership, Fifth Third Bank purchased a minority noncontrolling interest in Bellwether. There were no changes in Bellwether's leadership or operations. The company believes the strategic partnership creates an alignment of interest between the two companies for future growth.

Servicer Ratings

- Fitch Ratings 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 scale of 1-to-5, 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 CPS2+

Last Rating Action: Upgraded Aug. 28, 2020.

Applicable Criteria

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

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

Related Research

[Fitch Upgrades Bellwether's Commercial Real Estate Primary Servicer Rating \(August 2020\)](#)

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Key Rating Drivers

Company/Management: The company, majority owned by Enterprise Community Investment (ECI), has been servicing loans since 2008 and is considered a critical component of the success of the lending platform, particularly through borrower retention. The senior management team averages 27 years in the industry.

Staffing and Training: Primary servicing staff consists of a 20-member management team that averages 27 years of experience and 58 staff-level employees who average 15 years of experience and four years of tenure. Key additions include a new chief technology officer, a director of business development, a senior asset manager and two insurance analysts to support the internalization of insurance processing. Overall employee turnover, which has historically been very stable relative to other Fitch-rated servicers, remains low at 5%, down slightly from 7% as of Fitch’s prior review. The servicing staff completed an average of 52 hours of training in 2019, among the highest Fitch-rated servicers.

Technology: Bellwether’s servicing application and system of record is RealSynergy, supplemented with SpringCM for document management. Fitch found the technology infrastructure to be trending upward, reflecting recent primary servicer system integration and proprietary tools implementation. The company utilizes LEWIS, an internally developed workflow management tool that tracks borrower consent turnaround times, the status of requests, comments of last contact and various parties and fees as related to each request.

In addition, Bellwether has implemented the use of optical character recognition (OCR) to automate and expedite data input for operating statements, which saves asset managers over 5,000 hours per year, allowing for more analysis. Fitch views positively the company’s ongoing investments in technology infrastructure and automation in response to growth within its portfolio. Support for the servicing system and other technology is provided by a dedicated internal IT staff of six fulltime resources.

Procedures and Controls: Bellwether’s internal control environment consists of high-level policies and procedures, task-tracking and reporting from the servicing application and management oversight of servicing functions. A dedicated quality control and compliance group performs quarterly reviews to confirm compliance with established policies and procedures. In addition, ECI’s internal audit group engages a third party to perform internal audits of servicing operations, although less frequently than highly rated servicers. Bellwether is also subject to oversight from multiple master servicers and GSEs.

Loan Administration: Bellwether performs all core primary servicing functions and utilizes vendors for Uniform Commercial Code (UCC) tracking and renewals, real estate tax payments, insurance reviews for a select set of loans and approximately 75% of property inspections, with the remaining performed in-house. The company’s staffing structure focuses on teams dedicated to specific servicing functions and asset managers responsible for borrower and client contact.

Financial Condition: Fitch’s internal financial review of Bellwether noted the company’s earnings stability, acquisitions, geographic expansion, employee growth and increased investment in both technology infrastructure and new key hires.

Company Experience Since

CRE Servicing	2008
CMBS Servicing	2010

Source: Bellwether.

Operational Trends

Business Plan	■	Stable business plan with steady flow of new business offsetting portfolio declines
Servicing Portfolio	■	Stable portfolio with less than 10% growth by loan count
Financial Condition	■	Stable Outlook
Staffing	■	Staffing changed less than 12% +/-
Technology	▲	Improving technology
Internal Controls	■	Stable control environment; no material audit findings.
Servicing Operations	■	Stable operations, no material changes year-over-year

Source: Fitch Ratings.



Company Overview

Servicing Portfolio Overview

	3/31/20	% Change	12/31/19	% Change	12/31/18
Total Servicing					
UPB (\$ Mil.)	26,410.7	2	25,783.1	14	22,536.2
No. of Loans	3,564	1	3,525	5	3,364
Primary Servicing					
UPB (\$ Mil.)	26,410.7	2	25,783.1	14	22,536.2
No. of Loans	3,564	1	3,525	5	3,364

³Including REO.
UPB - Unpaid principal balance.
Source: Bellwether.

Bellwether is a commercial mortgage finance company headquartered in Cleveland, with 30 loan production offices throughout the U.S. and approximately 314 fulltime employees. Bellwether's predecessor, Bellwether Real Estate Capital (BREC), was formed in July 2008 by former senior-level employees of Capstone Realty Advisors, which had been acquired by National City Bank (now PNC Bank). In May 2012, BREC merged its mortgage banking business with Enterprise Mortgage Holdings (EMH), the multifamily mortgage division of ECI of Columbia, MD, to form Bellwether, expanding the company's geographic reach and product offerings and allowing it to better serve multifamily and CRE borrowers.

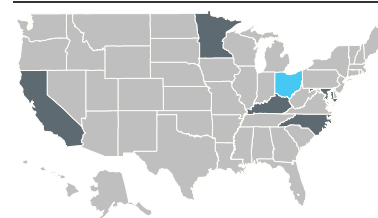
Subsequently, Bellwether merged with Towle Financial Services in 2014, further expanding the company's geographic reach in the Midwest. In 2015, the company acquired Capital Advisors, Inc., expanding operations into the southeastern region. In 2017, the company expanded once more, to three locations in Southern California, and added three offices in Alabama, Nashville and Washington, D.C., respectively, in 2018. Most recently, Fifth Third Bank acquired a noncontrolling interest in Bellwether as part of a strategic CRE partnership, giving Bellwether access to construction and affordable housing loan products and allowing Fifth Third Bank to offer its clients permanent financing products through Bellwether. Currently, the company is owned by EMH (51.2%), Bellwether Real Estate Capital Holdings (15.6%), Fifth Third Bank (13.85%), Bellwether Champions (13.6%), Towle Holdings (2.8%) and Capital Advisors (3.0%).

Bellwether's primary business is the origination of commercial and multifamily loans for a range of institutional investors, including life insurance companies, pension funds, government agencies and CMBS. Bellwether's goal is to retain servicing for all loans it originates; at present, it retains approximately 70% of loans originated.

The U.S. Department of Housing and Urban Development (HUD) recognizes the company as a title II, nonsupervised mortgagee under the FHA loan program for multifamily lending. The company is also an approved Freddie Mac multifamily-licensed seller/servicer for conventional, targeted affordable and manufactured housing loans. Additionally, Bellwether is a lender under Fannie Mae's Multifamily Affordable Housing, Delegated Underwriting and Servicing (DUS) and Small Balance Lender programs.

Commercial mortgage servicing is predominantly performed from Bellwether's Cleveland headquarters, which handles all payment processing and investor reporting functions, as well as asset management, escrow administration and tax monitoring. Borrower contact, property inspections and loan surveillance are handled by regional offices, allowing the company to maintain close contact with borrowers and be active in regional markets. Additional servicing employees are located in Columbia, MD (asset management for the Fannie Mae portfolio) and

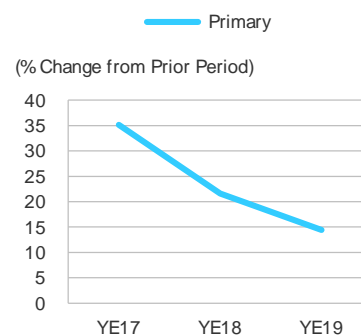
Office Locations



Primary Office: Cleveland.

The servicing portfolio grew 64% by balance and 35% by loan count between YE16 and 2018; however, growth tapered in 2019 and in 1Q20, with no major acquisitions. From 2018 to 2019, the company's servicing portfolio grew 14% by balance and 5% by loan count, tapering off from previous years, with continued expected growth driven by new origination volume and minimal maturity exposure through 2020.

Servicing Portfolio



Source: Bellwether Enterprise LLC.

Louisville (asset management for the pension fund portfolio), with asset management functions also handled in Minneapolis, Los Angeles and Charlotte, NC.

Financial Condition

Fitch does not publicly rate Bellwether. However, Fitch reviewed the company's financial statements and concluded its short-term financial viability is adequate to support the servicing platform. Fitch noted gains on loans held for sale during the previous four years and reduced leverage by decreasing borrowings in warehouse facilities. The company relies on short-term lines of credit from third-party financial institutions for financing, which may not be renewed in adverse credit conditions. Key constraints are its predominantly secured funding profile and low level of unencumbered assets.

Employees

As of June 30, 2020, Bellwether's primary servicing staff consisted of 78 employees, up from 73 the prior year, continuing Bellwether's multiyear trend of adding headcount to support portfolio growth. While the senior and middle management team has remained consistent, the company added 15 experienced staff-level employees, which did not negatively affect the company's average industry experience. Fitch notes that the addition of experienced new hires at the staff level continues to provide sufficient bench depth to support servicing operations.

The senior management team has extensive experience, averaging 27 years in the industry and 10 years of tenure. Middle management averages 27 years in the industry and seven with the company, while the staff averages 15 years of experience and four with Bellwether or predecessor entities. There was no turnover among management since Fitch's prior review.

The company has experienced low turnover of 5% since Fitch's last review, down slightly from 7% the year prior and low compared to other Fitch-rated servicers. Turnover consists of two voluntary staff departures, one involuntary departure and one internal transfer. Of the servicing group's 78 employees, 16 are shared resources with other Bellwether groups, including accounting, administration, production, loan origination and the general counsel and they spend between 15% and 95% of their time supporting servicing. The remaining employees are fully dedicated to servicing.

The servicing team is organized functionally as well as by product type or client to simultaneously perform loan servicing functions efficiently and maintain a high-touch borrower relationship. Functional areas consist of investor reporting and remitting, cash management, escrow administration, tax and insurance, UCC and loan setup teams, all of which report to the national servicing manager — who has 31 years of servicing experience.

The asset management team is responsible for providing borrowers a centralized point of contact and is responsible for financial statement analysis, inspections, reserve releases and all other borrower inquires. The special asset management team, which consists of three relationship managers reporting to a director of special asset management, is responsible for processing borrower consent requests, monitoring loan maturities, watchlist items and loans with heightened surveillance.

Outside of its Cleveland headquarters, servicing operations are performed in five satellite offices throughout the country, as well as at ECI offices in Columbia, MD, which can accommodate numerous servicing employees if needed.

Bellwether has one of the lowest employee turnover ratios among Fitch-rated servicers at 5%. The company continues to recruit experienced professionals and maintains a highly experienced management team.

Employee Statistics

	2020				2019			
	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover
Primary Servicing								
Senior Management	4	27	10	0	4	26	9	0
Middle Management	16	27	7	0	16	26	6	6
Servicing Staff	58	15	4	7	53	15	5	8
Total	78	—	—	5	73	—	—	7

Source: Bellwether.

Training

Bellwether maintains an employee training and development program led by the human resources (HR) department in conjunction with the management team to coordinate training needs across the company. The goal is to support the entire company through employee development and engagement with a training program that supports individual employee, department and companywide goals. Training is conducted through a variety of methods, including formal classroom instruction, eLearning, virtual meetings and one-on-one mentoring and coaching through stretch assignments designed to promote employee development.

Training needs are determined through an annual needs assessment reflecting the input of senior management and employee feedback. Additionally, department supervisors conduct training for the servicing staff as part of the company’s crosstraining efforts and have provided classes on heightened surveillance, CMBS loans and financial analysis. Additionally, Bellwether offers tuition reimbursement to all employees to encourage continuing education in support of areas such as legal, accounting and HR, as well as participation in master’s degree programs that are relevant to the company’s mission to provide affordable housing.

Bellwether maintains an annual training requirement of 50 hours per employee, among the highest of Fitch-rated services. Bellwether’s HR director and National Servicing manager utilize the company’s centralized training application, BizLibrary, to facilitate and track employee training hours.

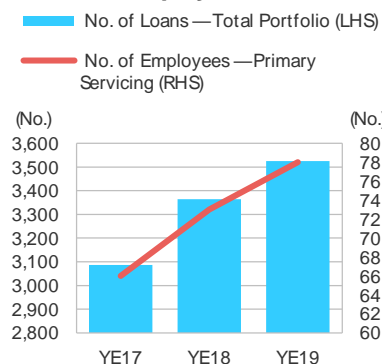
The company utilizes BWE University, a nine-month program of monthly training sessions facilitated by senior managers and affiliates to provide broad exposure to all Bellwether departments. In addition, BizLibrary provides employees with access to thousands of video sessions covering general topics such as business skills, HR compliance and custom-designed content on industry- or Bellwether-specific topics.

Recent additions to Bellwether’s training program include monthly, hourlong “servicing listen ‘n learn” presentations by the servicing leadership team on department- and industry-specific topics and scenarios and asset management training on assumptions and property inspections. Additionally, training has been provided via web-based offerings from the Mortgage Bankers Association, various GSE forums and CoStar, along with various professional development training courses. Bellwether introduced 62 new training courses in 2019, including topics such as OCR software, property inspection, watchlist and escrow. New employees attend a two-day orientation at the corporate headquarters, where business leaders provide detailed overviews of all Bellwether departments and functional areas. Bellwether employees averaged 52 hours of training in 2019, among the highest of Fitch-rated servicers.

Following the departure of a training development manager in 2019, Bellwether centralized the training program under the HR department.

Bellwether’s dedication to training is evidenced by its 52 hours of training reported per employee in 2019, as well as the utilization of BWE University, BizLibrary and monthly “servicing listen ‘n learns.”

Loan and Employee Counts



Source: Bellwether Enterprise, LLC.

Operational Infrastructure

Outsourcing

Bellwether does not outsource core servicing functions; however, like other servicers, it engages third-party vendors to conduct some property inspections, as well as UCC tracking and renewals. The company currently engages a third-party vendor to monitor property tax payments on both escrowed and non-escrowed loans. In addition, Bellwether engages an experienced vendor to perform property insurance monitoring for life insurance loans. Since Fitch's prior review, Bellwether has brought insurance monitoring for all other loan products in-house, ending an outsourcing relationship with Accenture.

The company states it has the ability to perform insurance, UCC and tax payment processes in-house if needed.

Vendor Management

Bellwether audits its vendors annually to gauge performance, centralized by the quality control and compliance team. Vendor performance is the responsibility of each service owner to monitor and to communicate with senior management and the compliance department should any issues arise. The compliance department risk rates each vendor annually and maintains agreements with third-party vendors pursuant to Bellwether's service provider policy.

Information Technology

Bellwether's loan servicing application is RealSynergy (V19.1.0.100) by Altisource, its primary servicing system of record. The application's underlying database structure uses Microsoft SQL (Structured Query Language) Server 2012, and while the servicing system has preconfigured standard industry reports, all reports can be exported to Excel. RealSynergy also has a built-in, ad hoc reporting tool that allows the servicing group to create custom reports from a query builder. These reports can be scheduled and are available to all system users but are dependent on permissions to the database fields.

Within its RealSynergy software package, Bellwether uses Web Loan View, which provides investors and borrowers access to their commercial loan information in RealSynergy over a secure website. Additionally, Bellwether uses SpringCM, utilized by another large Fitch-rated servicer, for document management. SpringCM is a cloud-based, third-party document management application that allows for greater integration with Bellwether's ancillary systems, including Salesforce. The company also utilizes LEWIS, an internally developed workflow management tool that tracks borrower consent turnaround times, the status of requests, comments of last contact and various parties and fees relating to each request.

Bellwether has further integrated RealSynergy and Salesforce for loan, property, borrower and lender information, which Fitch views positively. The servicing team uses Salesforce for certain workflows that include payment processing, investor reporting and remitting and loan setup. Furthermore, a servicing operations team has responsibilities to identify and implement additional operational improvements where it sees fit.

Since Fitch's prior review, Bellwether has leveraged OCR from a third-party vendor for data extraction from financial statements into RealSynergy, as well as to produce operating statement analysis reports (OSAR). Using the vendor's technology, Bellwether has significantly reduced the time needed to complete an OSAR from approximately an hour to roughly 15 minutes. Bellwether continues to explore additional process enhancements utilizing OCR data extraction, such as rent roll and insurance forms. Fitch views positively the use of technology to more accurately expedite previously manual processes.

Other recent technology-driven efficiencies created include automating maturity notices, eliminating a previously manual process; creating and automating a client exposure report that displays a borrower's portfolio and associated loan performance; and enhancing loan quality control workflow to confirm all new loanboarding steps, including data accuracy and document filing.

Bellwether continues to make significant technology investments to support growth, with a multiyear initiative focused on process automation, data accessibility and client experience. In the next 12 months, Bellwether expects to implement an insurance and inspection application,

Bellwether continues to make significant investments in its technology and staffing to support its national expansion and corresponding growth in originations and servicing.

Since Fitch's prior review, Bellwether has leveraged OCR from third-party vendor ClikAI to expedite data extraction from financial statements into RealSynergy, as well as to produce operating statement analysis reports. Using OCR technology significantly reduces the time from start to finish — from approximately an hour to roughly 15 minutes.

automate a watchlist loan identification system and expand its use of OCR. In addition, the company plans to create an asset management interface with RealSynergy and Salesforce that will automate watchlist capability, including functionality to gather loan and performance data from RealSynergy and incorporate detailed commentary into a customizable automated report. This would replace current manual tracking of the watchlist in Excel.

Bellwether's technology platform is supported by its dedicated IT staff based in Cleveland. The team of five reports to the chief technology officer for IT and is supplemented by consultants and third-party resources. A helpdesk is open during business hours nationwide, with phone and email support available during nonbusiness hours.

Disaster Recovery/Business Continuity Plan

Bellwether's disaster recovery and business continuity plan consists of instructions to transition and operate the core business functions in the event of a disaster; this includes relocating to a hot site in Columbia, MD, approximately 400 miles away. The site in Columbia has enough space for the servicing group to conduct normal business. At the time a disaster is declared, Bellwether will determine whether to occupy its site or if employees will work remotely from home. Additionally, 40% of servicing employees are located in regional offices that are able to perform most servicing functions, if necessary.

The hot site is equipped with the tools necessary to continue business, such as servers, workstations, phones, copiers and fax machines. RealSynergy is backed up and replicated to the hot site in 15-minute intervals, with other data replicated in realtime, resulting in a maximum data loss of 15 minutes or less during business hours, which compares favorably to highly rated servicers. In addition to the differential backups, full nightly backups are created. The company reported a one-day maximum recovery time in the event of an extremely adverse disaster. In recent years, disaster recovery has shifted from reliance on physical recovery sites to internally controlled software with a cloud-based restoration. Bellwether is currently reviewing its business continuity plan for both short- and long-term situations to rely more heavily on remote working.

The most recent disaster recovery test was completed in November 2019 and considered successful. The next test is scheduled to be completed by YE20.

Internal Control Environment

Bellwether's internal control environment consists of high-level policies and procedures, task tracking and reporting from the servicing application and management oversight of servicing functions. A dedicated quality control group performs quarterly reviews to confirm compliance with established policies and procedures, and ECI's internal audit group engages a third party to confirm Bellwether's compliance with internal and regulatory requirements. Additionally, as a primary servicer for more than 240 securitizations, Bellwether is subject to oversight from master servicers, as well as Fannie Mae and Freddie Mac.

Policies and Procedures

The company maintains a comprehensive policies and procedures manual to address servicing functions. The policies and procedures are available to all employees as a read-only file on a shared network drive. The manual is reviewed and updated no less than annually, with changes approved by the national servicing manager. The manual was most recently updated in June 2020 to reflect changes in insurance monitoring and processing, real estate taxation and assessments, investment banking, fraud detection and prevention and cash disbursements.

Fitch reviewed the June 2020 policies and procedures manual and noted that it covers all aspects of servicing, albeit at a high level. The manual contains several forms and exhibits, as well as high-level procedural outlines. Individual servicing processes are supplemented through employee training or departmental procedure guides.

Bellwether relies heavily on RealSynergy to maintain control of its servicing operations, specifically the platform's reporting and task-tracking capabilities. RealSynergy and its tracking tools are used for all aspects of servicing, including taxes, insurance, UCC filings, escrow analysis, inspections and financial statement analysis.

Bellwether's business continuity infrastructure has supported all servicing employees working remotely since March 2020 due to the coronavirus pandemic as the company continues to execute its servicing operations successfully.

Bellwether's internal control infrastructure consists of management oversight, quarterly compliance reviews, limited internal audits and numerous third-party audits or reviews.

The task-tracking reports are generated from RealSynergy on a weekly basis and used by the national servicing manager and other managers to ensure outstanding tasks or tasks that may need immediate attention are managed appropriately. The national servicing manager, or another manager as appropriate, is also responsible for reviewing processes and output as they occur, such as reviewing investor reporting remittances before issuance.

Compliance and Controls

Bellwether maintains an independent compliance and quality control group consisting of a senior manager and three support staff who collectively report to the general counsel and the COO. Fitch views positively the presence of dedicated compliance and quality control resources independent of servicing operations.

The compliance and quality control group is responsible for performing quarterly reviews of servicing functions. The reviews, which include a random sample of 30 loans each quarter, examine new loan setup, payment and remittance, UCCs, reserve account collections and disbursements, taxes and insurance, escrow analysis, financial statement analysis, consent requests, collections, adjustable-rate mortgage (ARM) adjustments and payoffs. Fitch reviewed four compliance reviews from 2019 that appeared to be effective compliance measures, identifying specific findings and listing management responses. Recent findings were mostly concentrated in loan setup, UCC, taxes and insurance, largely pertaining to administrative errors or missing documents, with the findings corrected as stated by management responses. Compliance reviews are detailed and demonstrate an effective second line of oversight.

Bellwether also maintains an employee conflict of interest policy, for which all employees are required to annually review and submit certifications of compliance, noting any exceptions.

Internal Audit

Bellwether itself does not maintain internal audit resources given the independent and robust nature of the reviews performed by the compliance and quality control group. However, ECI, the majority owner of Bellwether, maintains an internal audit function that performs reviews of the company annually and servicing operations periodically, although infrequently.

The vice president and chief audit executive of ECI communicates regularly with Bellwether’s management team to identify major risks and key areas upon which to focus internal audit reviews. In 2017, ECI engaged a third-party auditor to lead a targeted review of Bellwether’s internal controls over servicing functions such as loanboarding and asset administration; investor reporting and payment processing; remittance and escrow administration; credit risk policies and procedures for watchlist reporting; delinquency management and nonperforming loan administration; and application security controls of RealSynergy.

Fitch reviewed the completed 2017 audit, which included loan sampling and staff interviews. The audit had no findings pertaining to servicing operations and moderate findings pertaining to RealSynergy access that Fitch deemed minor, as they are common among most servicers.

Fitch notes that the scope of internal audits in 2018 and 2019 did not cover Bellwether’s loan servicing division. Bellwether was scheduled for another internal audit in early 2020; however, due to the pandemic, management stated that the audit will likely take place in late 2020, with results available in 2021. Highly rated servicers are subject to regular internal audits on a clearly defined schedule and scope based on periodic risk assessments.

External Audit

Fitch reviewed Skoda Minotti’s independent Regulation AB (RegAB) and Uniform Single Attestation Program (USAP) audit reports, completed in February 2020. Both reports stated that, in Skoda Minotti’s opinion, Bellwether complied with minimum servicing standards or applicable servicing criteria in all material respects, with no material findings.

Additionally, Bellwether was subject to external audits by third-party clients, GSEs and master servicers, including Freddie Mac, Fannie Mae and Ginnie Mae. Fitch was provided with a representative sample of these third-party audits and noted one critical and one medium-risk finding, both of which were resolved to satisfactory final audit opinions.

Fitch notes that Bellwether’s compliance and quality control framework has continued to mature, as its staff has performed compliance audits for several years and functions independent of servicing operations.

The company’s internal audit function is intended to serve as a second evaluation of the quarterly compliance assessments and is responsible for a separate, independent review and test of policies and procedures, as well as management’s assertions as to the effectiveness of controls over financial reporting.

Primary Servicing

As of March 31, 2020, Bellwether’s total servicing portfolio comprised 3,564 loans, representing \$26.4 billion in outstanding balance and growth of 17% by balance since YE18. By loan count, approximately 56% of loans are serviced for life insurance companies, 30% are on behalf of GSEs and 14% are securitized loans, including Freddie Mac loans. As of the same date, the company had performed primary servicing duties for over 500 loans totaling \$5.7 billion in 240 securitizations reporting to a master servicer. Additionally, the company co-services one small insurance portfolio of six loans totaling approximately \$67 million.

Bellwether has successfully managed the growth in its servicing portfolio via centralization of servicing operations into a functional structure, various technology enhancements to drive efficiency and added bench strength, hiring additional asset managers and insurance staff.

As a result of the coronavirus pandemic, Bellwether had received 345 borrower requests for debt relief as of July 2020. Of those 345, Bellwether granted 179 requests, largely in the form of payment forbearance, for 171 life company, five Freddie Mac and three Fannie Mae loans. In addition, five securitized loans transferred to special servicing, secured by three hospitality, one multifamily and one retail property.

Primary Servicing Portfolio Overview

	3/31/20	% Change	12/31/19	% Change	12/31/18
CMBS					
No. of Transactions – Primary Servicer	240	(4)	249	25	200
UPB – Primary Servicing (\$ Mil.)	5,711.8	1	5,627.4	24	4,554.4
No. of Loans – Primary Servicing	505	2	496	18	422
Non-CMBS					
UPB (\$ Mil.)	20,698.9	3	20,155.7	12	17,981.8
No. of Loans	3,059	1	3,029	3	2,942

UPB – Unpaid principal balance.
Source: Bellwether.

New Loan Setup

Bellwether uses an internal pipeline system, Salesforce, to track upcoming loan closings. Each loan closer is responsible for providing the servicing department with the needed information within one business day of closing. The special asset management team is responsible for providing the information on modified loans to the loan setup department.

Bellwether employees who close new loans complete a servicing transfer checklist, including pertinent loan setup data, along with copies of key documents, all of which are submitted to the loan setup department for boarding. Once loans are boarded, the loan setup analyst meets with asset managers to hand off the loans to the servicing team. Bellwether’s goal is to board all loans within two business days following receipt of the information.

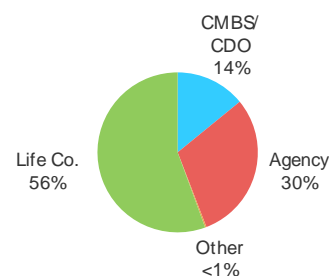
When bulk loanboarding is necessary, Bellwether establishes a transfer timeline that depends on the number of loans being transferred. The company creates a servicing transfer task list that serves as the basis for weekly transfer calls. All loans are set up manually or through a data import utility regardless of the size of the loan boarding. The national servicing manager reviews the status of loans being set up monthly using an internal pipeline system.

All loan covenants are required to be identified at the handoff of the loan from closing to loan setup. Covenants are set up on RealSynergy as ticklers or tasks, and a report is generated to track trailing documents on all closed, modified and transferred loans. The document management department is responsible for ensuring receipt of all trailing documents, as well as ensuring all documents are scanned or downloaded to SpringCM. Each month, the director of loan servicing operations reviews the trailing documents log for necessary follow-up on missing information.

A formal quality control review is performed within 30 days of loan setup to allow the servicing team time to add any ticklers to the system and other pertinent data that will be part

In response to the pandemic, as of July 2020, Bellwether had received 345 formal forbearance requests resulting in 179 approvals. Of these 179, 171 were life company loans, five were Freddie Mac loans and three were Fannie Mae loans. In addition, five securitized loans transferred to special servicing, comprising three hospitality loans, one multifamily loan and one retail loan.

Primary Servicing Product Type (As of March 31, 2020)



Note: Percentages based on number of loans.
Source: Bellwether Enterprise LLC.

New loan setup on RealSynergy is a manual process that generally occurs within two business days of receipt of loan documents. This process is subject to a quality control review within 30 days of boarding. New loan setup is also tested as part of quarterly internal audits.

of the quality control review. Fitch notes that highly rated servicers typically perform loanboarding and a quality check quickly, before the loan is activated in production.

Accounting and Cash Management

Bellwether logs in all wires, automatic clearinghouses (ACH) and checks daily. A lockbox is used for payment collection, and payments are processed within 24 hours of receipt. All unidentified payments are required to be researched and cleared within 48 hours. All disbursements are submitted and approved electronically through Salesforce, with documentation, copies and invoices attached to each request and saved in SpringCM, eliminating all paper workflow.

Automated postings are reconciled by RealSynergy to amounts due, and any discrepancies are flagged for manual posting. The latter are reconciled to the amount due or to correspondence detailing the request of funds (e.g. escrow shortages) at the time of posting. Bank accounts are to be balanced daily and reconciled monthly to ensure posting accuracy and identify variances. The reconciliations are performed by accounting staff and approved by senior management.

Bellwether currently services 14 loans with active cash management agreements in place and 129 loans with springing lockboxes, eight of which are active. Task reports in the servicing system track potential trigger events and are monitored weekly. The company also services five loans with active letters of credit as additional loan collateral. Asset managers monitor pending expirations and begin renewals 60 days prior to expiration.

Investor Reporting

Bellwether has an operations team comprising seven employees, with three dedicated to treasury management and investor reporting functions. One investor reporting employee is dedicated to agency reporting requirements, while a second is responsible for all other investor reporting requirements. A manager reviews all investor reports on a daily basis to ensure remittances are accurate and made in a timely manner.

Bellwether uses the investor reporting module of RealSynergy, which contains requirements for each investor (e.g. remittance dates), established during the new loan boarding process. As new loans are set up on RealSynergy, the loan is typically assigned to an existing investor reporting group. The director of loan servicing generally reviews investor reports each day, including a pending remittance report, to ensure remittances are made on a timely basis. The national servicing manager is trained to serve as a backup for the director of loan servicing.

RealSynergy automatically generates all investor remittance reports, including CRE Finance Council (CREFC) investor reporting package (IRP) reports on CMBS deals. All remittances are reviewed by either the director of loan servicing or the national servicing manager. Quality control for remittances is part of the quarterly quality control review.

Using Microsoft Access in conjunction with RealSynergy, investor reports are automated such that it takes the team half the time it did previously when manually creating reports. This allows the company to deliver the reports to lenders earlier and with greater confidence of accuracy.

Escrow Administration

As of April 2020, Bellwether has begun using a new third party for payment of real estate taxes. The vendor sends reports to the Bellwether escrow team twice a week confirming upcoming payments, which in turn are uploaded into RealSynergy. After Bellwether escrow managers determine which loans require disbursement, a report is sent back to SLK to make the corresponding escrow payments. Approximately 43% of all loans in Bellwether’s portfolio are escrowed for real estate taxes, for which a due date report is generated from RealSynergy identifying the target dates for all taxes.

Asset managers confirm payment of non-escrowed taxes through a combination of written communication with the borrower and through websites (if available) and phone calls to the relevant county assessor’s and/or treasurer’s office. In the event the information is not accessible through the county, additional letters and phone calls to the borrower are initiated until proof of payment is received.

Approximately 35% of all loans in Bellwether’s portfolio require insurance escrows. Insurance expiration dates are tracked through an insurance expiration report generated from RealSynergy. For all loans, agents are to be contacted 60 days prior to maturity requesting

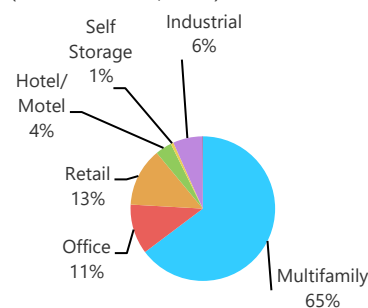
% Payment Collections Via:

ACH	65
Checks	34
Wire	1

Source: Bellwether.

CMBS Servicing Property Type

(As of March 31, 2020)

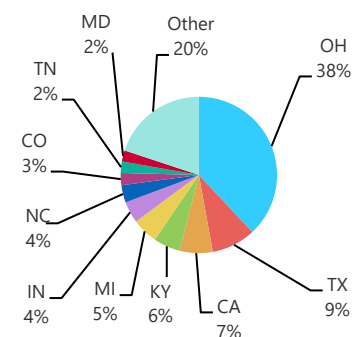


Source: Bellwether Enterprise LLC.

RealSynergy automatically generates investor remittance reports, including CREFC IRPs for CMBS deals.

CMBS Servicing Geographic Distribution

(As of March 31, 2020)



Source: Bellwether Enterprise LLC.

Bellwether has not reported any restatements, errors or late reporting within the previous 24 months.

policy renewal certifications and invoicing. Upon receipt of the new insurance policy and certificates, a comparison with coverage requirements and the policy is completed.

Insurance requirements on life insurance loans are monitored by Insurance Advisors, while all other loan requirements are monitored by Bellwether. Depending on the type of loan, Bellwether or Insurance Advisors sends request letters, completes insurance reviews according to loan document- and lender-specific requirements and then reports to Bellwether through its website. Weekly meetings are held between Bellwether and Insurance Advisors to discuss the status of expiring policies and any issues relating to outstanding information or compliance. Insurance Advisors handles various lenders regarding insurance monitoring.

Reserve accounts are managed and monitored by asset managers. Disbursement requests are submitted and approved electronically through Salesforce, with check copies, invoices and other supporting documentation attached at the loan level in SpringCM. Bellwether has eliminated all physical paper and is fully electronic, which saves hours of work in regards to imaging and backup storage. As requests for reserve releases are received from borrowers, the documents are reviewed by the asset manager, whose analysis is then reviewed by management for approval prior to submission to the lender.

Bellwether engages CT Lien to perform UCC monitoring and renewals. Upcoming expirations are automatically renewed and monitored 60 days prior to expiration. Once the filings are recorded, RealSynergy is updated with the new filing information, including the new expiration date. Separately, Bellwether uses RealSynergy on a monthly basis to generate a UCC expiration report detailing which UCCs will expire in the next two months to confirm vendor performance. Bellwether has not had any UCC lapses within the past 48 months.

Asset Administration

Asset managers monitor delinquencies through the generation of a delinquent loan report from RealSynergy and a notification e-mail from the payment processor in the treasury group. Upon notification of a delinquent payment and consideration of grace periods, the asset manager notifies the lender and then contacts the borrower to collect the payment. In the event the borrower is not reachable by phone, a request letter is issued. In the event a loan payment goes beyond 30 days' delinquent, the asset manager will work with the lender to issue a demand letter and then follow the lender's lead in handling the collection.

Written notices, prepared by in-house staff, are sent to borrowers at the beginning of each year to remind them of their financial statement and rent roll reporting obligations. All operating statements and rent rolls received are logged into the RealSynergy tracking system and distributed to the asset managers for review. The company utilizes ClcikAI's OCR technology to produce OSARs and net operating income worksheets; when complete, these are sent to and analyzed by the asset manager and reviewed and approved by the vice president of portfolio management in Salesforce prior to reporting to the lender. The collection, review and submission of operating statements are included in quarterly quality control reviews.

Formal watchlists are kept centrally on an Excel worksheet that is updated when circumstances evolve. Being that the watchlist is a continual process as loans are added or removed, it does not limit loans to quarterly or monthly reviews. Loans are typically evaluated during financial reviews and property inspections. At minimum, borrowers are contacted quarterly to provide property information updates. The special asset management team is responsible for watchlist management and, at minimum, a final watchlist review is completed quarterly prior to submission to lenders. Watchlist criteria are adjusted based on each lender's requirements and property asset classes but generally include a loan-to-value calculator, deferred maintenance issues, occupancy issues and late and/or missed payments, among other factors. The watchlist process is primarily manual in nature and provides individualized comments on each loan.

Bellwether utilizes a proprietary custom refinance tool by integrating RealSynergy into Salesforce to monitor retention of the portfolio. The tool allows the company to notify producers when loan maturities are coming due and to track the recapture rate. The special asset management team monitors loan maturities and, as early as 18 months before maturity, loan producers with loans maturing are notified along with the borrower. Collectively, servicing and producers follow up with the borrower and update the appropriate lender. Bellwether stated

Portfolio Escrowed for:

(%)	
Taxes	43
Insurance	35

Source: Bellwether.

As with other servicing functions, tax and insurance monitoring and escrow administration are subject to quarterly quality control reviews.

Bellwether was subject to one de minimis tax penalty in 2020, its second in six years, which compares very favorably to highly rated servicers.

Bellwether has not experienced any UCC lapses in the past four years, demonstrating high administration performance.

Bellwether had collected 97% of YE financial statements and rent rolls from borrowers as of May 31, 2020.

Bellwether maintains its watchlist to lender specifications and guidelines. Watchlists are created on a monthly basis but updated weekly as appropriate. Watchlist maintenance at Bellwether is a manual process, as the company provides individualized comments for each loan.

that, for the 12-month period ended in March 2020, 116 loans totaling \$455 million were scheduled to mature, which is far outweighed by the company's yearly production.

Bellwether employs one fulltime and one part-time property inspector due to the geographical concentration of its loans in specific markets; about 27% of all inspections are completed by the in-house inspectors or other Bellwether employees. The other 73% of properties are inspected by third-party vendors. Inspections are generally completed annually at minimum, but each lender determines inspection guidelines. Inspections are also completed in the event of a major insurance loss at the property, the release of a capital expense reserve or a property's performance indicating the need for a site visit.

In the event deferred maintenance is identified during a property inspection, the asset manager will submit a written notice to the borrower identifying the deferred maintenance item and requesting a correction plan, along with proof of correction once completed. A series of phone calls is made and letters are sent to the borrower if the item is not resolved within 45 days. After 60 days of noncompliance, the lender is contacted to discuss further steps, such as issuance of a nonmonetary default letter.

Borrower requests are sent to the asset management team to create a file on the company drive and are added to LEWIS to track the status of each request, completion timing, comments from last contact, fees and contact information. Senior relationship managers handle requests such as assumptions, loan modifications and others that can highly affect the asset. Requests such as escrow releases and lease approvals may be handled by the asset manager as workflow allows. Loan producers are informed of each request and provide input and opinions on high-level requests. The director of special asset management and the national servicing manager meet to review ongoing special requests and provide input on requests as needed.

Customer Service

Customer inquiries and borrower requests are handled by asset managers or someone more senior, such as the senior relationship manager, depending on the criticality and nature of the request. Loan production staff is involved as needed. Requests are logged and tracked on a shared drive and in LEWIS to ensure timely responses and follow-up as requests are reviewed in weekly servicing meetings. In addition, a significant event tracker workflow was developed in response to the pandemic and is used for forbearance and short-term lease relief amendments. The tracker can also be used for events that affect more than one lender, including hurricanes, forest fires, flooding or other large-scale events. The special asset management team, which has significant real estate and lending experience, also reviews borrower requests depending on complexity in an effort to identify and mitigate potential credit risks.

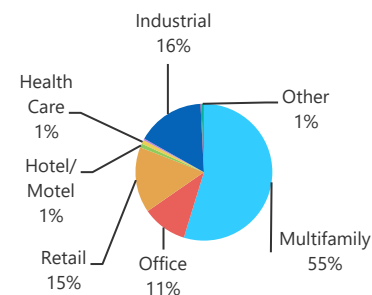
Bellwether generally expects to begin processing borrower requests within one day of receipt. All loan payoff requests are processed by the asset managers and must be in writing from the borrower. The note and mortgage are reviewed to determine notification requirements. If the loan is open to prepayment, the lender's servicing agreement is reviewed to determine the payoff procedure and the lender is notified. Internally, the asset manager reviews the documents and determines the prepayment amount. The director of asset management and in-house counsel approve the prepayment calculation along with the lender in the event of a life company loan prepayment. The payoff process is subject to Bellwether's quarterly quality control review.

The company's process for handling document releases involves a tracking system to ensure the timeliness of recording. Pursuant to the applicable servicing agreement, a request is sent to the lender or document custodian. Once the satisfaction documents are executed, they are sent to the respective county for recording. Upon receipt of the releases and documents, these are returned to the borrower.

Bellwether does not perform formal customer servicer reviews but instead relies upon feedback from originators for customer satisfaction.

**Non-CMBS Servicing
Property Type**

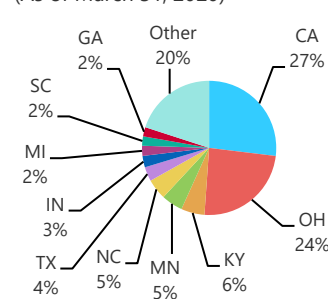
(As of March 31, 2020)



Source: Bellwether Enterprise LLC.

**Non-CMBS Servicing
Geographic Distribution**

(As of March 31, 2020)



Source: Bellwether Enterprise LLC.

LEWIS is a proprietary internal workflow management tool that tracks borrower consent turnaround times, the status of requests, comments of last contact and various parties and fees as related to each request.

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