

Grandbridge Real Estate Capital LLC STRONG Commercial Loan Primary Servicer Ranking Affirmed

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OVERVIEW

- We affirmed our STRONG ranking on Grandbridge Real Estate Capital LLC as a commercial loan primary servicer.
- Our ranking reflects our opinion of Grandbridge Real Estate Capital's substantial lending and servicing experience, effective asset management structure, good compliance and control environment, and experienced and tenured management team and staff
- The outlook is stable, and the financial position is SUFFICIENT.

DALLAS (S&P Global Ratings) Oct. 3, 2017--S&P Global Ratings today affirmed its STRONG ranking on Grandbridge Real Estate Capital LLC (Grandbridge) as a commercial loan primary servicer. The outlook for the ranking is stable.

Grandbridge, headquartered in Charlotte, N.C., is a full-service commercial mortgage banking company that arranges permanent commercial and multifamily real estate loans, services loan portfolios, and provides asset and portfolio management and real estate brokerage services nationally. Since 2000, Grandbridge has been a wholly owned subsidiary of BB&T Corp. (BB&T), a Winston-Salem, N.C.-based bank holding company, which is among the nation's largest banks with \$221.2 billion in assets and a market capitalization of

\$36.7 billion as of June 30, 2017. Grandbridge has a relatively broad base of capital providers, including insurance companies, commercial mortgage-backed securities investors, government-sponsored entities, and its parent company, as well as other commercial banks and third-party investors.

Grandbridge is also a Delegated Underwriting and Servicing lender for Fannie Mae, a Freddie Mac Multifamily Approved Seller/Servicer, and an active participant in loan products insured by the Federal Housing Administration (FHA). The company works with the FHA as an approved multifamily accelerated processing (MAP) lender, a lender for nursing homes and assisted-living facilities, and an approved Lean health care lender.

Grandbridge originated over \$7.1 billion of unpaid principal balance (UPB) via 690 commercial real estate loans across the U.S. during 2016 through its loan origination offices in 20 cities across the U.S. Servicing personnel are primarily based in Charlotte and Birmingham, Ala., with additional staff located in Atlanta; Kansas City, Mo.; Minneapolis; and Orlando, Fla. Although loan count has declined in the past few years, Grandbridge's servicing portfolio, which totaled approximately \$30.6 billion in UPB as of June 30, 2017, has remained fairly steady as the increase in the average loan size has largely offset the reduced unit volume. In particular, Grandbridge currently services 16% (800) fewer loans when compared with Dec. 31, 2013, yet the UPB of its primary servicing portfolio is 7% greater.

Our rankings reflect:

- Controlled growth and a successful track record of serving lender clients and borrowers;
- An experienced and tenured management team and staff;
- Experience with multiple capital sources along with a diversity of collateral property types and geographic locations;
- A solid financial and resource commitment to the technology systems needed to effectively manage the loan portfolio;
- Institutional backing and support of BB&T; and
- A good compliance and control environment despite a somewhat less frequent internal audit schedule than most similarly ranked peers.

Since our prior review, the below changes have occurred (see "Servicer Evaluation: Grandbridge Real Estate Capital LLC" published March 11, 2016):

- Two individuals with extensive industry experience were hired for asset management. The individuals each have over 18 years commercial real estate experience, and one is credentialed as a certified Member Appraisal Institute appraiser as well as a MAP underwriter.
- The Los Angeles-based life company asset management group, including the senior portfolio manager, departed in March 2017, leading to a loss of 250 loans and \$1.5 billion in UPB from the servicing portfolio and closing the office during the first half of 2017. Efforts are being made

to identify staff on the West Coast to rebuild this division.

- The former head of the document administration group was promoted to assume leadership responsibilities for the tax group, following the departure of his predecessor who is now in loan operations. An internal candidate was promoted to oversee document administration.
- The company developed a two-day onboarding program at Grandbridge's Charlotte headquarters for all new hires, led by 20 functional and senior management leaders, including Grandbridge's CEO, head of production, and head of loan servicing.
- Grandbridge and BB&T individuals are working with Midland Loan Services' Enterprise! group while transitioning the network infrastructure to the new BB&T data center located in Zebulon, N.C. The migration is expected to complete by the second quarter of 2018.
- The borrower/investor portal is being redesigned. The updated site is expected to be complete late 2017.

The ranking outlook is stable. We believe Grandbridge has the staffing, processes, and technology it needs to administer its portfolio per generally accepted servicing practices. We believe it has reasonable growth plans and a skilled and tenured servicing team, which benefits from strong institutional support from BB&T.

The financial position is SUFFICIENT.

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

RELATED RESEARCH

- Select Servicer List, Aug. 18, 2017
- Servicer Evaluation: Grandbridge Real Estate Capital LLC, March 11, 2016
- BB&T Corp., March 7, 2017

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