

# Essex Financial Services LLC

Essex Financial Services LLC's (Essex, or the company) servicing platform began in 1987 as a functional group within Essex Financial Group (EFG), a mortgage banking firm headquartered in Denver, CO. In 2010, Essex spun off into a separate company dedicated to commercial real estate (CRE) servicing; however, it shares common ownership with EFG. Essex acts as EFG's exclusive servicer but also services for third-party clients. Essex services loans mainly owned by life insurance companies and other mortgage broker firms but has been diversifying its client base into construction loan originators and private lenders, offering bridge, mezzanine and small balance loans. The company has over 40 clients and offers a full suite of loan servicing and asset management services.

Essex currently performs primary servicing for over 40 clients. Its servicing functions include: customer service, new loan setup, billing and collections, investor reporting and remittances, escrow and reserve administration, property tax administration, insurance reviews, Uniform Commercial Code (UCC) administration, borrower request reviews, construction and bridge draw reviews, operating statement and rent roll analysis, property inspection reviews and payoff processing. The company also provides fee-based services that include construction and draw reviews, operating statement and rent roll analysis and, most recently, collecting and distributing rents to investors for owned real estate properties.

As of Dec. 31, 2021, Essex was primary servicing 1,031 loans totaling \$5.9 billion, having grown 60% by loan count and 20% by balance since 2018, reflecting the company's focus on construction and smaller balance loans. The servicing portfolio is diversified by the major commercial property types, such as office (24% by balance), multifamily (23%), retail (20%) and industrial (20%) properties. The portfolio is somewhat geographically weighted toward Colorado (28% by balance) given the company's relationship with EFG; however, Essex services loans nationwide with exposure to loans on each coast and throughout the U.S.

## Servicer Ratings

- Fitch 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 and 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<sup>a</sup> CPS3+

<sup>a</sup>Rating assigned Aug. 18, 2022.

## Applicable Criteria

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

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

## Related Research

[Fitch Assigns Essex Financial Services LLC Commercial Primary Servicer Rating \(August 2022\)](#)

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## Key Rating Drivers

**Company and Management:** Essex was formed in 2010 and has grown to provide CRE servicing for a diverse set of clients encompassing a diverse mix of loan and property types. The company maintains a relatively stable business plan predicated on affiliate servicing as a steady source of new servicing assignments and a growing third-party business line. Essex currently provides CRE servicing mainly for life insurance companies and other mortgage broker firms; however, the company has been diversifying its client base and is focused on expanding its construction loan servicing business and private lender client servicing for bridge, mezzanine and small balance loans. The company leverages a shared services agreement with an affiliate for corporate and back office functions such as accounting, human resources, IT and executive management resources.

**Staffing and Training:** As of Dec. 31, 2021, 21 employees were dedicated to servicing, with one senior manager also serving in a business development role. While there is key person risk present with a small management team of five, the managers are experienced, averaging 20 years of industry experience and nine years of company tenure. The ratio of staff to managers is 3-to-1, providing sufficient management depth. The company employs more junior servicing staff relative to highly rated peers, averaging two years of industry experience. Over the past 12 months, the servicing group experienced low overall turnover of 9% concentrated at the staff level, which Fitch notes positively as commercial mortgage servicers are facing unprecedented turnover levels and challenges in filling open positions amid the current tight labor market.

Training is provided through the company’s in-house training program with one middle manager dedicated to administering and tracking training. Training opportunities are provided by trade groups, professional training services, key vendors, senior managers and personnel from affiliates. Training is calibrated to the experience levels of employees, who averaged 32 hours of training in 2021. New employees received an additional 25 hours–30 hours of training in their first year. Essex maintains formal cross-training practices focused on cash movement, which Fitch notes as important given the size of the staff and potential key person risk.

**Technology:** Essex’s servicing system of record is REALSynergy Version 21.2 by Altisource, a system used by other Fitch-rated primary servicers that supports all loan servicing functions. Essex also developed and maintains 10 ancillary Microsoft Access databases for various reporting and quality control (QC) functions. Eight of the databases are connected to REALSynergy and data are refreshed as needed. While Fitch notes positively efforts to create robust reporting databases given varying client requirements, the reliance on Access databases for nonreporting, QC functions compares less favorably to other rated servicers who more robustly employ servicing systems or data warehouses and reporting platforms. Essex has a fulltime database administrator responsible for managing the multiple databases and creating internal and external reporting. While Fitch notes positively the dedicated resource, there is significant key person risk given the reliance on Access databases.

**Procedures and Controls:** Essex maintains a sufficient internal control framework consisting of policies and procedures, system-generated QC reports and management reviews. While the company relies less on its servicing system for QC compared to peers, supplementing in some places with Access databases, Fitch notes that Essex is subject to quarterly internal audits based on Regulation AB (RegAB) and Uniform Single Attestation Program (USAP) criteria. However, Fitch’s insight into the internal audits is limited, as Essex has not provided quarterly testing documentation. Fitch reviewed three years of past external audits, which contained no exceptions.

**Loan Administration:** Essex has a demonstrated history of primary servicing experience. The company maintains strong reporting capabilities in automating the vast majority of remittance reporting, as well as custom reporting for nonremittance activities and quick loan boarding and financial statement processing times compared to highly rated peers. The servicing portfolio includes senior mortgage loans, construction loans, bridge loans and mezzanine loans secured by major CRE property types. Essex has limited experience servicing agency loans or securitized loans, as they are outside of its current client requirements.

**Financial Condition:** Fitch does not publicly rate Essex. However, the agency performed a financial assessment that determined its short-term financial viability adequately supports the servicing platform.

## Company Experience Since

CRE Servicing	2010
Securitized Servicing	N.A.

N.A. – Not applicable.  
Source: Essex Financial Services LLC.

## Operational Trends

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

Source: Fitch Ratings.

Company Overview



Essex's servicing platform began in 1987 as a functional group within EFG, a mortgage banking firm headquartered in Denver, CO. In 2010, Essex spun off into a separate company dedicated to CRE servicing; however, it shares common ownership with EFG. Essex's sole owners are the co-founder and primary owner of EFG and Baron Properties (Baron), as well as the managing director in charge of Essex. EFG has been an active CRE mortgage originator for life insurance companies, banks and conduits for over 30 years. Baron is an owner and operator of multifamily and industrial properties in multiple western states with approximately \$1 billion of assets under management (AUM). All three companies leverage a shared services agreement for corporate functions such as accounting, human resources, IT and executive management resources.

Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
<b>Primary Servicing</b>					
UPB (\$ Mil.)	5,888.0	13	5,210.0	12	4,665.0
No. of Loans	1,031	25	826	46	567

UPB - Unpaid principal balance.  
Source: Essex Financial Services LLC.

Essex performs primary servicing for over 40 clients, including institutional mortgage investors such as life insurance companies, private lenders, mortgage banking firms and other parties. Servicing functions include customer service, new loan setup, billing and collections, investor reporting and remittances, escrow and reserve administration, property tax administration, insurance reviews, UCC administration, borrower request reviews, construction and bridge draw reviews, operating statement and rent roll analysis, property inspection reviews and payoff processing. Essex also provides fee-based services that include construction and draw reviews, operating statement and rent rolls analysis and, most recently, collecting and distributing rents to investors for owned real estate properties.

The company acts as EFG's exclusive servicer; however, Essex also pursues third-party clients. As of Dec. 31, 2021, Essex had serviced 229 loans totaling \$1.85 billion originated by EFG, representing 22% by loan count and 31% by balance of Essex's servicing portfolio. EFG provides mortgage banking services to owners and developers of CRE in Denver and other western states' markets. Lenders from which EFG secures financing for its clients include life insurance companies, CMBS issuers, banks and other entities (including government-sponsored entities). EFG originated \$664.7 million in 2021.

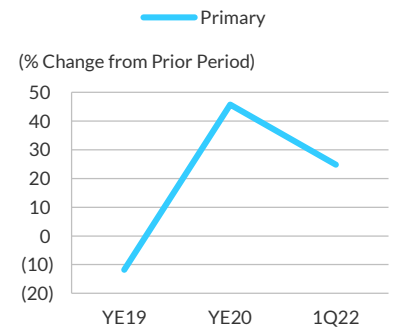
With the potential for consolidation among life insurance companies and correspondent mortgage bankers via M&A and the reduction in the number of CRE servicers life insurance companies employ, Essex has adapted its business plan to diversify its client base. Beginning in 2018, the company focused on expanding its construction servicing business and private lenders offering small balance loans and bridge loans. Private lender clients fund loan originations through credit facilities, high net worth investors and loan sales to institutional mortgage investors (debt funds, pension funds, life insurance companies and investment banks). Essex's portfolio has grown 60% by loan count and 20% by balance since 2018, reflecting the current focus on construction and smaller balance loans.

The largest two servicing clients by revenue are a balance sheet lender affiliated with an asset management firm and a private construction lender. Essex's balance sheet lender client originates, packages and sells small balance loans to institutional mortgage investors in private

Subsequent to Fitch's review period, two mortgage brokerage clients have discontinued their relationship with Essex as a result of acquisitions, representing approximately 11% of the portfolio by loan count and 23% by balance. Offsetting these departures, Essex added seven new clients in 2022, focused on construction and bridge loans as well as preferred equity positions. There was no impact to staffing as a result.

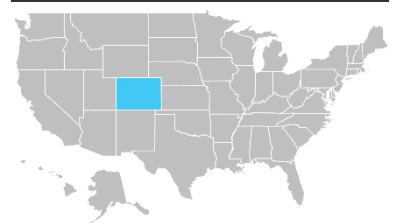
Essex has experience servicing a diverse set of CRE property and loan types. The servicing portfolio includes senior mortgage loans, construction loans, bridge loans and mezzanine loans. Essex has limited experience servicing agency loans or securitized loans, as they are outside of its current client requirements.

Servicing Portfolio



Source: Essex Financial Services LLC.

Office Locations



Primary Office: Denver, CO.

securitizations and retains asset management functions while engaging Essex as its sole servicer under a master servicing agreement. Essex services and performs draw reviews for its private construction lender client, which originates small balance loans mainly secured by retail and franchised commercial properties. Most recently, Essex has engaged on the client's equity investments, performing various cash and asset management activities.

Essex is headquartered in Denver and maintains separate and secure office space from affiliates. All primary servicing functions are performed from the Denver office.

## Financial Condition

Fitch does not maintain credit ratings for Essex. However, Fitch's Financial Institutions group performed a review of Essex and deemed the company's short-term financial viability as adequate to support the servicing platform.

Fitch's review notes that while smaller compared to other commercial loan servicers, Essex has grown its franchise and expanded its client base while building a solid reputation. Fitch notes the company has worked to expand its product offerings and built up its servicing book, which the company expects will continue to help enhance client diversification. Essex's servicing portfolio has grown in recent periods due to new lines of business and expansion in existing businesses, though partially offset by natural attrition of institutional servicing.

The company's recent growth may come under pressure due to a more volatile market and higher interest rates, making the operating environment tougher to navigate. Essex has limited resources to finance its business or assure liquidity compared to peers, although it has operated with a cash surplus since its inception in 2010. Fitch notes that the founder and primary shareholder is committed to Essex's growth.

## Employees

As of Dec. 31, 2021, Essex maintained 20 fully dedicated servicing employees while one senior manager served in a business development role, with 50% of this individual's time dedicated to servicing functions. While some key person risk is present with a small management team of five, Essex maintains an experienced senior management group of three, averaging 24 years of industry experience and nine years with the company. Two middle managers average 15 years of industry experience and nine years of tenure, providing some depth. Servicing staff average two years of industry experience and tenure.

The primary servicing group is staffed appropriately for the company's current servicing responsibilities. While Fitch is concerned about key person risk, Essex's management team maintains strong industry experience. The company relies upon more junior employees to fill staff-level positions relative to highly rated peers. Given Essex's relatively short operating history as a standalone entity compared to peers, employees also average lower company tenure compared to highly rated servicers.

## Employee Statistics

	2021				2020			
	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover	No. of Employees	Average Years Industry Experience	Average Years Tenure	% Turnover
<b>Primary Servicing</b>								
Senior Management	3	24	9	0	N.A.	N.A.	N.A.	N.A.
Middle Management	2	15	9	0	N.A.	N.A.	N.A.	N.A.
Servicing Staff	16	2	2	12	N.A.	N.A.	N.A.	N.A.
<b>Total</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>9</b>	<b>N.A.</b>	<b>—</b>	<b>—</b>	<b>N.A.</b>

N.A. – Not available.

Source: Essex Financial Services LLC.

Over the TTM, the servicing group experienced low overall turnover of 9%. This was concentrated at the staff level and consisted of two voluntary departures. Fitch notes Essex's low turnover rate as a positive, as commercial mortgage servicers are facing unprecedented turnover levels and challenges filling open positions amid the tight labor market. The company currently has three open positions due to expected growth from new and existing clients; two portfolio managers and a servicing specialist are expected to be added in 2022.

The servicing group comprises portfolio managers and servicing specialists organized by client relationship and certain functional roles. Portfolio managers are divided into servicing and

construction loan administration; they act as the main point of contact with servicing clients and retain responsibility for all aspects of servicing for their assigned portfolio. Portfolio managers also onboard new clients and portfolios and train other servicing staff on client-specific servicing requirements. Servicing specialists are dedicated to specific functions such as payment processing, property taxes and insurance oversight.

When a new client is onboarded, Essex determines the appropriate staffing structure through a combination of pipeline reports of new loan originations provided by clients and internal discussions regarding business development activities. As the company’s portfolio and client base evolved, Essex added staff to perform more high touch asset management and surveillance functions for small balance loans and construction and bridge loans. The company maintains the same risk management process for these loans compared to larger balance loans: routine financial statement and rent roll analysis, periodic property inspection and ongoing watchlist reviews.

### Training

Training is provided through the company’s in-house training program, Essex U. One middle manager is dedicated to administering and tracking training via a training log. New employees receive on-the-job training primarily from managers and peers. Essex U provides training conducted by trade groups (e.g. MBA and CRE Finance Council [CREFC]), professional training services, key vendors, Essex managers and peers and personnel from affiliates Baron and EFG. Training is calibrated to the experience levels of employees, with new hires expected to average roughly 80 hours of training per year and experienced employees averaging 24 hours per year.

Employees averaged 32 hours of training for full-year 2021 (ended Dec. 31). Approximately 10 hours of training were delivered by external parties and related to CRE, with the remainder from internal parties mainly focused on internal processes. New employees received an additional 25 hours–30 hours of training in their first year. Essex maintains formal cross-training practices focused on cash movement, which Fitch considers important given the size of the staff and potential key person risk. Certain employees who are proficient in other areas of servicing shadow one of the cash management specialists.

## Operational Infrastructure

### Outsourcing

Essex does not outsource core servicing functions; however, it engages third-party vendors to review insurance renewals, perform property inspections, lien releases and enter financial statement data, similar to other Fitch-rated primary servicers.

### Vendor Management

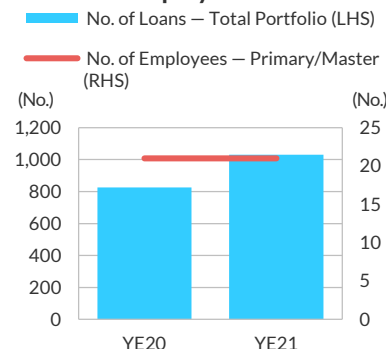
Essex does not currently maintain a centralized vendor management function, which Fitch views as consistent with servicers of a similar size. Senior managers perform periodic reviews of vendors and their performance relative to contractual obligations. Any potential new servicers are generally evaluated at the end of the year, coinciding with formal headcount reviews as part of the annual budgeting and revenue forecasting processes.

## Information Technology

Essex’s primary servicing system of record is REALSynergy Version 21.2 by Altisource, a system used by other Fitch-rated primary servicers. REALSynergy has biannual system updates and the company maintains the most recent version of the application.

REALSynergy supports all loan administration functions, such as cash processing, bank account reconciliations, disbursements, lockbox payment processing and automatic debits. The system also handles investor remittance reporting, escrow administration analyses, scheduled tax and insurance payments and property inspection tracking. Fitch notes the system has similar functionality compared to more widely used primary servicing systems, as REALSynergy is capable of spreading financial statements in the CREFC Operating Statement Analysis Report (OSAR) format and performing Net Operating Income Adjustment Worksheet (NOIWS) calculations. The REALSynergy servicing system has preconfigured standard industry reports such as the CREFC Investor Reporting Package, which can be exported to Excel.

### Loan and Employee Counts



Source: Essex Financial Services, LLC.

While Fitch notes positively the company’s efforts to create robust reporting databases given its varying client requirements, the reliance on Access databases for nonreporting, QC functions compares less favorably to other rated servicers who more robustly employ servicing systems.



The company has also developed and maintains 10 ancillary Microsoft Access databases to handle functions such as custom reporting, remittances, billing statements, reminder emails to borrowers for financial statements, creating watchlists and tracking loan resolution efforts. Eight of the databases are connected to REALSynergy via read-only tables and data are refreshed as needed throughout the day. The company's main custom reporting Access database currently has over 200 report templates developed in response to specific client needs. The database aggregates data from other Access databases and runs data validity reports to ensure data accuracy.

Essex also maintains a client-specific Access database for its largest private lender client, originating small balance commercial mortgages. The client relies on Essex to provide data for its investment management accounting. Fitch notes that highly rated servicers have increasingly focused on reporting capabilities, developing comprehensive data warehouses overlaid with flexible report writers; at this time, Essex does not maintain a data warehouse.

Essex uses REALSynergy's investor and borrower portals to deliver information externally. While the portals offer limited functionality compared to those of highly rated peers, there is basic information available to market participants. Investors can obtain portfolio performance reports while borrowers can view standard information such as billing statements; however, the utilization rates by borrowers remain low.

The company retains a fulltime database administrator responsible for managing the multiple databases and developing specialized internal and external reporting. The database administrator also coordinates with an internal IT security resource and software providers. While Fitch notes positively the dedicated resource for the company's various databases, there is significant key person risk given the company's reliance on Access databases. Essex also uses a helpdesk ticketing system supported by a fulltime IT professional for IT support as part of its shared services agreement with EFG and Baron.

Cybersecurity is the responsibility of the IT director, and policies, procedures and controls are based on the NIST (National Institute of Standards and Technology) Cybersecurity Framework, a voluntary framework of industry best practices for nonfederal government agencies. Compliance is monitored through various daily, monthly and quarterly manual reviews. Essex manages user profile and password administration through the Microsoft Active Directory and users must update their password every 60 days. Essex performs ongoing weekly vulnerability assessments on all systems and workstations, and the company's most recent vulnerability assessment indicated low risk. Checks for firewall, anti-virus, malware, Windows and program updates occur every four to six hours, with updates installed as soon as possible but no later than one week after identification. The company has had no security breaches in the past 12 months.

### Disaster Recovery/Business Continuity Plan

Servicing data are hosted internally and backed up daily with backups stored both onsite and remotely. The company has a maximum possible data loss of 24 hours, comparing less favorably to peers who employ more realtime data replication capabilities. Expected timing for core servicing functions to be operational after a disaster is 12 hours–24 hours depending on the severity of the event. The company's servicing location maintains an uninterruptable power supply that provides at least one hour of backup battery power. Essex maintains an alternate location from which employees can work in the event of a disaster; alternatively, employees can work via remote access, which is tested monthly. The company's most recent disaster recovery test occurred in November 2021 with no material issues noted, and remote access was last tested in April 2022 with successful results.

## Governance

Essex's internal controls are centered on policies and procedures, system-generated QC reports and management reviews. It currently does not maintain internal compliance resources to test servicing functions against policies and procedures or servicing agreements. However, significant for a company of its size, Essex outsources internal audit functions to a third-party vendor who then performs quarterly testing against RegAB and USAP criteria.

### Policies and Procedures

Fitch was provided Essex's policies and procedures, which were completed in 2010 when the firm became a standalone entity. Reviews occur at least annually, with updates taking place on an as-

Essex successfully implemented its business continuity plan in March 2020 as a result of the onset of the coronavirus pandemic. The vast majority of employees transitioned to remote working with no disruptions, and employees are currently working in a hybrid environment with a few days in the office.

needed basis. There have been no material changes to the policies and procedures in the past 12 months. Per Fitch's review, the policies and procedures provide step-by-step instructions with exhibits but are not as detailed or wide in scope versus those of highly rated peers. Essex states that many of the policies and procedures are guidelines for the work performed, with specific provisions of servicing agreements taking precedence.

Policies and procedures are located on a shared drive and available to all employees. New hires receive a policies and procedures overview and additional training on specific servicing agreement requirements. Policies and procedures training mainly occurs when a written policy or procedure is subject to a significant change.

### Compliance and Controls

Essex generates daily reports from its ancillary Access databases, with source data from REALSynergy to monitor process exceptions, deadlines and due dates and outstanding open tasks. Various reports include: upcoming ticklers and open tasks stored within REALSynergy; escrowed taxes due for payment within 90 days and non-escrowed loans with taxes due within 30 days; upcoming insurance expirations within 30 days of expiration; UCC positions expiring within 180 days; payments automatically identified as one day late and all current late payments; and outstanding information from borrowers and deliverables to clients for financial statements and property inspections.

Essex currently does not maintain an independent compliance department; corporate-level compliance with laws and regulations is coordinated with shared resources between EFG and Baron.

### Internal Audit

Essex outsources internal audit functions to Plante Moran, the company's audit and accounting firm. The scope of quarterly audits includes a review of servicing agreements, payment backup, REALSynergy reports, loan documentation, bank statements, bank reconciliations, tax payment information, insurance payment information, UCC filings, operating statements and rent rolls, inspections, IRS reporting and service fee information. The audit firm randomly selects a sample of approximately 15 loans for each quarterly audit.

Fitch did not review a sample of quarterly audits from Plante Moran. Essex does not receive quarterly testing results from Plante Moran; instead, results are provided annually with the USAP and RegAB reports.

### External Audit

Fitch reviewed annual RegAB and USAP reports issued by Plante Moran for YE19, 2020 and 2021, and none contained any findings. Essex also engaged Plante Moran to perform Service Organizations Controls (SOC) 1 Type 2 auditing, which is an audit of the entire servicing platform relevant to internal controls over financial reporting and the related technology. Essex recently completed its readiness assessment and expects to finish the audit in 2022.

Essex maintains a sufficient internal control framework over servicing functions. While the company relies less on its servicing system for QC compared to peers, supplementing in some places with Access databases, Fitch notes that Essex receives quarterly internal audits based on RegAB and USAP criteria. However, Fitch's insight into the internal audit function is limited as Essex is not provided with quarterly testing documentation. Fitch reviewed three years of past external audits, which contained no exceptions.

## Primary Servicing

As of Dec. 31, 2021, Essex was primary servicing 1,031 loans totaling \$5.9 billion, having grown 60% by loan count and 20% by balance since 2018. This reflects the company's focus on construction and smaller balance loans. The portfolio is diversified by the major commercial property types such as office (24% by balance), multifamily (23%), retail (20%) and industrial (20%) properties. The portfolio is somewhat weighted toward Colorado (28% by balance) given the company's relationship with EFG; however, Essex services loans nationwide with exposure to loans on each coast and throughout the U.S.

### Primary Servicing Portfolio Overview

	12/31/21	% Change	12/31/20	% Change	12/31/19
<b>Nonsecuritized</b>					
UPB (\$ Mil.)	5,888.0	13	5,210.0	12	4,665.0
No. of Loans	1,031	25	826	46	567

UPB - Unpaid principal balance.  
Source: Essex Financial Services LLC.

### New Loan Setup

Loans are boarded into REALSynergy within one business day, which is among the shortest loan boarding times of Fitch-rated primary servicers. Essex receives pipeline reports for new loan originations and meets regularly with clients. A closing document checklist is provided to all clients, which also includes timeframes for notifications of new loans.

Portfolio managers are responsible for initiating the loan boarding process by requesting a loan number after all required loan documents are received from the lender's legal counsel. Essex leverages the automated loan setup module within REALSynergy, entering information to bill and collect the first principal and interest payment. The company then uses an Excel form listing the fields in the servicing system to board the remaining fields. The Excel form also serves as a QC form for a two-phase QC process of new loan setup information: all phase one fields must be loaded into the system and reviewed no later than two business days' prior to the first payment due date, and all phase two fields must be loaded into the system and reviewed within 60 calendar days after the first payment due date.

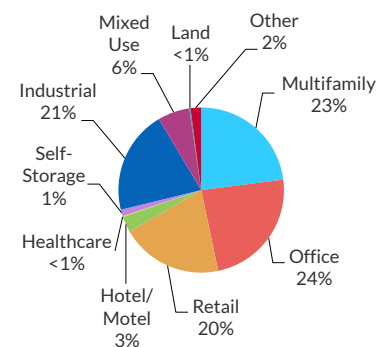
Essex maintains the ability to perform bulk loan transfers, with the most recent transfer, occurring in April 2022, consisting of approximately 30 loans from another servicer. Essex receives loan data tapes with current loan information from the prior servicer throughout the process and requests additional reports, such as: trial balances, loan transaction histories, any pending borrower requests, adjustable-rate mortgage (ARM) loans, delinquent loans and loans with pending payoff requests. Bulk loan transfers are subject to the same QC reviews as loans boarded one at a time.

Loan documents are reviewed for covenants and triggers during the loan boarding and QC process. The company uses REALSynergy's task module to load due dates (including recurring dates), the trigger type and any necessary comments. A daily Access database report listing the tasks is automatically generated and sent to managers and staff who will then review it for upcoming due dates.

### Accounting and Cash Management

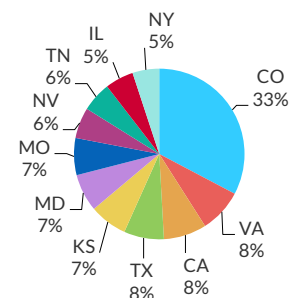
Approximately 78% of loans in the servicing portfolio are set up on automated clearing house (ACH) payments or pay via wire transfer, helping to streamline and automate payment processing in REALSynergy. Most incoming payments are received in a single account, the receipts clearing account, which is reconciled daily. An automated report is generated daily and reviewed by staff and management to identify issues or discrepancies for loans that pay via ACH. Payments via check are logged by a staff member and deposited by a cash management specialist. Unidentified payments are tracked via a weekly report. Funds received for a loan that do not match a receivable are placed in a suspense account and reported daily to the group via an automated report. Comments are entered by staff members, providing context for the funds or steps taken to identify funds. Essex will contact the payment sender and/or loan contact within one to two business days after receipt.

### Nonsecuritized Primary Servicing Property Type (As of Dec. 31, 2021)



Source: Essex Financial Services, LLC.

### Nonsecuritized Primary Servicing Geographic Distribution (As of Dec. 31, 2021)



Source: Essex Financial Services, LLC.

Essex currently services six loans with Secured Overnight Financing Rate (SOFR)-based floating rates totaling \$130.8 million.

There are currently seven loans with active cash management agreements in place and the company services 15 loans with springing lockboxes, one of which was sprung within the past 12 months.



The timing of bank reconciliations is determined by servicing agreements or investor requirements. Bank accounts are generally reconciled monthly. The reconciliation process is completed within REALSynergy and reviewed by another staff member or manager. Reconciling items are typically limited to the receipts clearing account, which is reconciled daily. Other account reconciling items are noted on the bank reconciliation with a memo. Essex created a custom report to identify reconciliation issues prior to the reconciliation process for tax, insurance, reserve and holdback accounts.

Essex maintains good controls over payment processing. In addition to daily reviews of the clearing account and exception reports to note cash discrepancies, Essex employs multiple independent reviews of transactions processed in REALSynergy. When funds are identified or funds need to be posted manually, a staff member will submit a payment advice form with backup documentation to apply the payment. All payment advices are reviewed by a senior staff member or manager via a secure mailbox and then sent to the cash manager for application in REALSynergy. After loan payments are applied, the payment advice is sent to another secure mailbox and a second review of the transaction processed in REALSynergy is led by a senior staff member or manager. Following the two accuracy reviews, the payment advice is sent to the staff member who originally submitted the payment advice and saved to the loan folder.

Specific staff members who have been trained on servicing cash-managed loans and who maintain a lower loan count than other staff members are assigned loans in cash management. Essex reviews cash management agreements prior to loan closing or upon transfer of servicing to Essex, and cash-managed loans are set up in REALSynergy with their own unique investor reporting ID to ensure compliance with requirements. For loans with a springing lockbox that has not yet been activated, REALSynergy's tickler system notifies portfolio managers of the dates upon which tests will occur. Borrowers are typically responsible for setting up the lockbox account for cash-managed loans at a bank approved by the lender; in some instances, Essex will create a cash management account at an approved bank. All cash swept into the cash management account is reconciled monthly. Posting of payments for cash-managed loans follows the same steps and multiple reviews as with other loans.

### Investor Reporting

Essex does not maintain a dedicated investor reporting group as investor reporting responsibilities are assigned to servicing staff according to function and client. Investor reporting requirements are identified in the servicing agreement and tracked in a spreadsheet containing fields such as the investor, reporting requirement, assignee and due date. Servicing management reviews this spreadsheet and confirms all reporting has been sent to investors.

Essex completes most investor remittance reporting from its REMIT Access database, which was developed to automate the creation of remittance reports for clients requiring a specific report and a generic template for clients not requiring a specific report. Servicing staff run a daily process in the REMIT database that identifies all remittances required to be sent to each client. The process generates both client-specific remittance reports and emails to a distribution list specified by the client. Data entered into the REMIT database by staff are reviewed by senior staff or management.

The company's fulltime database administrator's responsibilities include creating and maintaining Essex's ancillary databases to supplement REALSynergy and mapping tables in REALSynergy for custom reporting. Essex maintains a database with over 100 custom reports, such as: a financial analysis and property inspection tracker, insurance expiration, late fees, paid off loans, delinquent payments, a REALSynergy bank balance to loan balance comparison, suspense items, taxes due, UCC expirations, remittance report timing and trial balances.

### Escrow Administration

Tax parcels and due dates are loaded into REALSynergy during new loan setup and tax information is obtained from an appraisal, a tax authority website and tax receipts. Insurance information and expiration dates are loaded into REALSynergy during loan boarding, and insurance certificates and insurance receipts are obtained from Essex's investor clients. All tax and insurance information is reviewed during the new loan setup QC process, and the daily tax report via an Access database is used to monitor taxes due and proof of payment.

Essex uses an internally developed ancillary database to send and track insurance renewal request letters. At least twice a week, Essex generates and emails the letters to the insurance agent and borrower for loans with policies expiring within 30 days. A second letter is sent to the

### % Payment Collections Via:

ACH	68
Checks	20
Wires	10
Unidentified Payments	2

Source: Essex Financial Services LLC.

Fitch notes that Essex's reporting capabilities are a strength. Almost all remittance reporting occurs automatically through the company's Access databases, with nonstandard remittance calculations (such as split yields among participated loan investors) requiring manual intervention. Essex also automates custom reporting for nonremittance activities; however, some manual reporting remains for items such as watchlists given the diversity of clients and requirements.

Essex's reporting errors and subsequent restatements have been attributed in part to the loans being complex participations with complicated fee splits that resulted in errors during early remittances. Essex stated that none of the errors have resulted in collecting or refunding money to borrowers or losses to Essex's clients.

While Essex uses an Access database to track tax payments, in contrast to other servicers that employ the servicing system, Fitch notes there have only been five tax penalties within the past 12 months for a de minimus amount of \$3,200. Essex did not have any lapsed UCCs in the past 12 months.

### % Portfolio Escrowed for:

Taxes	42
Insurance	32

Source: Essex Financial Services LLC.

insurance agent five days prior to expiration and a final letter is sent to the insurance agent and borrower post-expiration if no proof of coverage is received. The letters are automatically saved, and a status code is updated in REALSynergy. Upon receipt of a renewal certificate, the status code is again updated in REALSynergy. If exceptions to loan documents or investor insurance requirements are identified, Essex will obtain updated certificates.

Portfolio managers are responsible for determining escrow analysis cycles per the servicing agreements and assigning them in REALSynergy. A daily automated report listing upcoming tax due dates and insurance expiration dates is reviewed by staff and management. Essex runs monthly escrow analysis cycles in REALSynergy, with payments automatically updated in the system and escrow analysis statements generated. The portfolio manager reviews escrow analysis statements. Loans not escrowed for taxes and insurance are subject to the same new loan setup and monitoring processes as escrowed loans.

UCC information is obtained from the recorded filing or recorded deed provided at closing, and Essex enters the filing number, filing date, UCC authority and expiration date into REALSynergy. An automated daily report from an Access database uses REALSynergy data listing upcoming UCC expiration dates; staff and management review this report to file UCC continuations as needed. Essex created a module in an ancillary database to track details involving the status of UCC renewals or terminations, such as date sent for filing, date recorded and UCC received. This also tracks if the investor requires a UCC copy and, if so, the date the recorded UCC was sent to the investor.

Reserve disbursement requests are reviewed against loan documents and each client's requirements. If third-party information is required (e.g. inspection, title, etc.), Essex will order from the applicable third-party service provider approved by the client. Essex completes a case summary for the lender, including a recommendation once all documentation is received. Following lender approval, a disbursement form with banking instructions for remittance is created and payment processing follows the same process outlined for cash management. Essex confirms banking instructions verbally with a contact associated with the loan.

### Asset Administration

A daily automated report identifies late payments after any grace period. If required, Essex provides its client with a monthly delinquency report. Essex contacts the borrower and, if applicable, other external parties, including the lender and mortgage banker. If payment is not received after the first day, the company sends a demand notice to the borrower stating their payment is late and includes any late fees. Essex follows up with the borrower on a weekly basis thereafter until payment is received and creates an action plan with its lender following the 30+ days delinquency threshold. Communication with borrowers may be tracked in REALSynergy or on a client's watchlist form but is frequently discussed at staff meetings.

Essex uses an internally developed database to generate and send financial statement and rent roll request letters, as well as to track due dates, receipt dates, submission dates and other information needed to complete the analysis. Daily automated reports from an ancillary Access database list the status of financial statement collection and analysis. Financial statement requirements are obtained and entered in the database from loan documents and investor requirements at new loan setup and the information is reviewed during the QC process. The company sends three financial statement request letters for each loan: one within 45 days of year-end, a second within 75 days of year-end and a third immediately following the due date.

Given the diverse client mix and servicing requirements, analysis of financial statements and rent rolls is performed outside the system, typically in the investor-specific form. Financial statement data available in REALSynergy are generally summary-level, such as total revenue, total expenses, net operating income, total debt service and debt service coverage ratio (DSCR), etc. Updated rent rolls received throughout the life of a loan are loaded into the servicing system if required by the servicing agreement. Most Essex clients require that specific rent rolls be input directly into their system or provided in an uploadable format.

Similar to other primary servicers, Essex outsources 99% of property inspections to two third-party vendors. Due dates are tracked in an ancillary database and Essex uploads requirements from clients into the database annually for monitoring. Deferred maintenance is likewise entered into the database for monitoring. Deferred maintenance letters are sent to the borrowers requesting expected completion dates, which are then entered into the database and updated

By May 31, 2022, Essex had received approximately 76% of YE21 financial statements. This percentage is lower compared to highly rated servicers. The company attributed this to the majority of remaining loans having due dates beyond May 31. Essex's average turnaround time from receipt of financial information to analysis and reporting is one day, which compares favorably to highly rated servicers.

Fitch notes that other REALSynergy users track financial statement and rent roll submissions, site inspection due dates, deferred maintenance issues and upcoming maturing loans in the system.

following receipt of documentation verifying the deferred maintenance has been resolved. Essex generates an automated report each day that lists outstanding deferred maintenance.

If required by its servicing agreement, Essex uses client-provided watchlist criteria and leverages an internal database for creating, monitoring and updating watchlists. REALSynergy functions as the data source and the ancillary database performs calculations on the source data to identify loans to be added to the watchlist. Essex adjusts the criteria based on specific client requirements. Prior to submission to a client, a senior staff member or a manager reviews the watchlist report to ensure commentary is relevant and updated.

An Access database is used to generate monthly reports identifying loans with upcoming maturities. Essex typically sends maturity letters at 12 months, six months, three months and one month prior to the maturity date. Thereafter, Essex consistently follows up with borrowers to monitor potential issues at maturity and refinancing risks. Essex services 70 loans totaling \$531 million that are scheduled to mature within the next 12 months.

Essex acknowledges the receipt of borrower consent requests within one to two business days and reviews the requests against loan documents and servicing agreements within two to five business days. The company completes a case summary including a recommendation to the client, and a senior staff member or manager reviews the write-up and supporting documentation prior to submission to the client. Processing times of borrower consent requests are tracked in an ancillary Access database.

**Customer Service**

While Essex does not maintain a dedicated group for customer service, borrowers are provided a portfolio manager contact in the welcome letter at the time servicing commences. Essex staff seek to respond to all customer inquiries within one business day; however, these timelines are not formally tracked in the company’s systems. Customer inquiries are logged to determine the number of inquiries received per employee.

Essex manually loads applicable indices into REALSynergy each day from sources such as the Wall Street Journal, New York Federal Reserve and CME Group. REALSynergy calculates the applicable rate based on loan-level information entered and reviewed during new loan setup.

Billing statements are generated through REALSynergy 15 days–30 days prior to the payment due date. Essex generates a report with billing information for staff and management to review prior to any billing statement being created. Borrower billing statements are generally emailed to the billing contacts associated with the loan.

All payoff requests require review and approval by Essex’s lender clients. Payoff statements are reviewed by senior staff or management prior to submission to the client, and Essex typically submits a draft payoff statement within one to two business days of a request. Unless otherwise dictated in the loan documents or servicing agreement, the turnaround time for a payoff request is typically three business days; however, Essex does not formally track the actual number of days.

Following a payoff confirmation, Essex notes in REALSynergy that the loan has been paid off. Essex or its third-party service provider prepares a satisfaction letter and submits it to the client for execution. Essex sends all applicable documentation to the applicable jurisdiction within 60 days–90 days. However, Essex does not formally track the actual number of days.

Fitch notes that highly rated servicers are engaging robotic process automation (RPA) technology to automate routine tasks, such as loading indices into the servicing system for floating-rate loans.

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