

Fitch Ratings

Fitch Takes Various Actions on CMLS's Commercial Servicer Ratings

Fitch Ratings-New York-01 October 2015: Fitch Ratings has taken the following actions on CMLS Financial Ltd.'s (CMLS, or the company) commercial servicer ratings:

- Primary servicer rating upgraded to 'CPS3+' from 'CPS3';
- Master servicer rating upgraded to 'CMS3' from 'CMS3-';
- Loan level special servicer rating affirmed at 'CLLSS3'.

Each of Fitch's servicer ratings reflect CMLS's experienced management group, the company's limited but sufficient internal control environment, and the financial condition of CMLS Financial.

The upgrade to the primary servicer rating reflects CMLS's continued dedication to employee development and training, growing servicing capabilities through developing proprietary technology, and improved internal controls and technology over investor reporting. Previously, Fitch noted reporting errors as a trend and concern; in the past 12-24 months, CMLS had one incident of reporting restatement/error and no incidents of late reporting. The rating upgrade also reflects Fitch's assessment of CMLS's strong and stable management depth with low turnover, and the stabilization of staff-level turnover.

The upgrade to the master servicer rating is driven by CMLS's investment in technology enhancing the company's reporting capabilities, as well as CMLS's recent appointment as master servicer with an external primary servicer; this represents CMLS's first assignment overseeing an external primary servicer. The master servicer rating also reflects potential advancing obligations under stressed scenarios relative to the company's liquidity and earnings and loan concentrations. Advancing concerns are also mitigated by low delinquency rates and the presence of back-up advancing agents in Canadian CMBS.

The loan level special servicer rating reflects CMLS's experienced asset manager and senior managers, development of proprietary technology used in asset management, as well as the company's limited special servicing staffing and related capacity constraints and the nature of the Canadian commercial mortgage market.

CMLS Financial Ltd. (CMLS) is a privately owned nonbank lender and servicer that acts primarily as a

mortgage broker placing capital from institutional and fund investors into commercial mortgages across Canada. CMLS has been originating and servicing commercial real estate (CRE) loans since 1974 and is an active participant in government-sponsored and private Canadian securitization markets.

As of June 30, 2015, CMLS was the named master and primary servicer for 88 CMBS loans totaling \$780.8 million, an increase from 25 loans totaling \$247.7 million at year-end 2012. CMLS was also the named primary servicer (reporting to an external master) for three CMBS loans totaling \$401.1 million. Also as of June 30, 2015, CMLS was the named master servicer with an external primary servicer for 13 CMBS loans totaling \$100.4 million. This represents CMLS's first assignment overseeing an external primary servicer.

As of June 30, 2015, CMLS was named special servicer for 102 CMBS loans totaling \$1.3 billion for four CMBS transactions, with no loans in special servicing. As of the same date, CMLS was named special servicer for 1,666 non-CMBS loans totaling \$9.2 billion, also with no loans in special servicing. CMLS has seen a continued increase in named special servicing for both the CMBS and non-CMBS portfolios, congruent with the company's continued servicing portfolio growth.

Contact:

Primary Analyst

James Bauer

Director

+1-212-908-0343

Fitch Ratings, Inc.

33 Whitehall Street

New York, NY 10004

Secondary Analyst

Adam Fox

Senior Director

+1-212-908-0869

Committee Chairperson

Daniel Chambers

Managing Director

+1- 212-908-0782

Media Relations: Sandro Scenga, New York, Tel: +1 212-908-0278, Email: sandro.scenga@fitchratings.com.